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ABSTRACT

The findings of audits and Office of Education program reviews from Title I programs in 20 States were analyzed for the years 1965-1976. The purposes of this study were (1) to determine the extent to which problems in State and local management of Title I have changed since 1965, and (2) to highlight current management problems which need the attention of local officials. This report describes the background of Title I evaluations, the design of the study undertaken, and findings of the study in regard to: (1) student and attendance area eligibility and targeting (including private school populations); (2) program development; (3) funds restrictions to ensure the use of Title I monies for supplemental and categorical services; and (4) State educational agency management functions. Findings are summarized for each of the four areas. Persisting problems in management are identified in the following categories: student selection, private schools, parent involvement, comparability, no-supplanting and general aid, State education agency application review and approval, and State education agency monitoring and auditing. (GC)

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TRENDS IN MANAGEMENT OF
ESEA TITLE I: A PERSPECTIVE
FROM COMPLIANCE REVIEWS

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EXECUTIVE SUMMARY

Introduction and Background

This study of trends in Title I management was undertaken for two purposes. The first was to determine the extent to which problems in state and local management of Title I have changed since 1965. The second purpose was to highlight current management problems which need the attention of officials concerned with improving state and local management practices.

The passage of Title I infused into local school systems large amounts of Federal money that had to be transformed into services for target children without violating the categorical nature of the program. Accomplishing this task required new management responsibilities at all levels of the educational system. In general, Title I places much of this responsibility on both SEAs and LEAs. Federal auditors and USOE program reviewers go to SEAs and LEAs to determine how these functions have been carried out. The Federal reviewer's reports form the data for this study.

Title I management has been analyzed from a number of perspectives. Two early studies (Washington Research Project, 1969 and American Institutes for Research, 1972) both gave dismal assessments of Title I management based on somewhat different approaches to analysis of early HEW audit data. The Planar Report (1973) disagreed with prior studies' findings of widespread illegality, but reported that the program was administratively inefficient and ineffective.

Most recently, NIE supervised studies that examined Title I's legal framework and administration at the Federal, state, and local levels. These studies found problems in the dissemination (but not internal consistency) of program rules, and uncertainty among SEAs regarding their administrative authority and responsibilities. Reviewing these studies, we developed the hypothesis that, despite continued problems, improvements had occurred in state and local management.

Design of the Study

We tested this hypothesis by analyzing the findings of audits and USOE program reviews over a twelve year period from 1965 to 1976. This study used these reports to examine how the predominant types of findings reported have changed.

We restricted our analysis to a sample of 20 states for which audit or review findings existed across three time periods: 1965-1969; 1970-1973; 1974-1976. Our analysis of management problems identified in the audits and program reviews is presented in four areas: Eligibility and Targeting, Program Development, Funds Restrictions, and State Education Agency Management Functions. Within these areas we classified reported problems into fifteen broad categories and then more specific subcategories. We then compared and interpreted the findings across the three time periods. This procedure permitted the aggregation of data across data sources and states, and enabled us to infer changes over time in the types of management problems most prevalent within each of the fifteen categories.

Finally we analyzed our results across the fifteen categories to identify overall trends in management as perceived by the Federal reviewers. The patterns revealed are compared to those identified in the within-category analysis. From these two perspectives (within and across categories), we draw conclusions about overall trends which are summarized below.

Overall Trends in Title I Management

This study found that although a generally positive trend can be seen over time, the Title I management picture today is a mixed one. While early types of compliance problems in some areas such as construction/equipment and fiscal management have apparently been resolved, problems continue to persist in many areas. As of the last time period covered (1974-76), twelve of the fifteen management categories studied had a "high" or "medium" numbers of states with fundings. However, in many of the areas where problems continue to exist, the nature or

degree of the problem changed over time. Therefore, several important observations need to be stated.

Within many of the categories, the nature of the findings reported showed a shift from more basic or blatant problems to those of a more procedural or technical variety. A shift from blatant to technical violations does not necessarily mean a shift from serious to not serious. Technical issues (such as inadequate data) can mask real noncompliance. Nevertheless, we interpreted this shift in the nature of the findings as an indicator of increased management proficiency, or at least a decrease in disregard of the program rules.

Over the three periods of the study an evolution occurred in the kinds of problems emphasized by the federal reviewers. During the first period the emphasis was on defining the specifics of the Title I mandate and installing it as an identifiable part of the overall educational system. Findings in the second time period emphasized systems, procedures, and data. However, reviews during the last period placed a growing emphasis on quality and seemed to reflect a recognition of the limitations of procedures in designing and operating programs. New expectations and standards were always evolving even as the old ones were met. Therefore problems persist partly because expectations have been continually rising.

In summary, although a medium to high quantity of findings persists in 12 categories, there have been some significant qualitative shifts in the nature of the findings which can be positively interpreted.

The overall pattern of change may also be viewed as positive. Between the first and second time periods the prominence of problems increased in 7 areas, decreased in 2, and remained the same in 5.* From the second to the third time period one category increased in prominence (comparability), five categories moved in the direction of decreased prominence, and the rest remained stable.

*The comparability requirement was separately considered by the auditors only during the latter two time periods. Therefore, the total number of categories in the first period is 14 rather than 15.

Eligibility and Targeting

The findings across the three categories studied for eligibility and targeting show an increase in dominance of problems concerned with private schools since the first time period and a continuation of problems, mostly technical in nature, in the selection of attendance areas and students.

In the category of attendance area eligibility and targeting, the most serious problem--serving ineligible areas--was top ranked for 1965-69. During the two later time periods, however, this was the lowest ranked of the four subcategories. During the last period, data problems ranked highest. These changes represent a shift from issues of "what" was to be done to those of "how" to do it. Thus, although the more blatant type of problem declined in rank, other more technical types of problems persisted.

For student eligibility and targeting, findings that services were being provided to large numbers of ineligible students were the lowest ranked of the subcategories for all three periods. Other problems persist: highest ranked in 1965-69 and 1974-76 was the use of improper selection criteria. Within this grouping, the biggest problem during the 1970-73 and 1974-76 periods was use of criteria that resulted in selecting students at or near grade level in achievement. This finding suggests continuing tension between the "greatest need" requirement and retention of students in the program.

The participation of private school students apparently received little attention during the first time period of the program, but during the two later periods three problems predominate: work relationships between public and private school personnel, technical issues (targeting and needs assessments), and the delivery of services. These findings appear to show that both the public and private staffs lack information on how to comply. Specifically, the appropriate manner of including private school participants in the needs assessment and the operational meaning of "comparable services" remain open questions.

Program Development

The categories of program design and parent involvement were studied. Although these categories are most closely tied to matters traditionally educational rather than administrative or legal, creation of rules for program development and the securing compliance have proven to be very difficult management problems.

In the program design category (which involves problems pertaining to needs assessment, performance objectives, concentration, and evaluation), the needs assessment and evaluation problems have predominated since 1970. There has, however, been a change in the substance of these problems from the 1965-69 period when assessments were not being done to the later periods when specific technical problems predominate.

For parent involvement, an important factor was the change in rules during the middle period to require the existence of a parent advisory council (PAC). The lack of specific guidelines for parent involvement during the first period may explain why this category seems to have been relatively ignored by the reviewers during 1965-69. During the 1970-73 period, problems in the quality and extent of parent involvement predominated, while during 1974-76 these problems and that of inadequate training of parents for their function shared the highest rank among problem types. Thus, although failure to provide for parent involvement (by setting up PACs) has assumed relatively less prominence, the issues of effective involvement and preparation of parents persist.

Funds Restrictions

The funds restrictions area included the following categories: maintenance of effort, comparability, no-supplanting, general aid, and construction/equipment.

Few findings were available in the maintenance of effort category. However, this category is more likely to be a problem in the future because the conditions that aided in naturally maintaining effort (inflation plus increasing enrollments) have given way to new conditions (decreasing

enrollments, LEA spending reductions) likely to make maintenance of effort more difficult. In addition, the rules pertaining to waivers of this requirement may themselves create management problems.

For comparability, data were available only for the two later periods covered by this study. During 1970-73, reviewer identification of noncomparable LEAs was the highest-ranked problem type. This remained a problem during 1974-76, but was not as highly ranked as LEA data problems and findings of insufficient SEA checks on the information used to complete comparability reports. LEA data problems included improper calculations concerning which staff and which state programs to include. These problems persist, and the documents we reviewed suggested some suspicion that manipulations of the data to reflect comparability have occurred.

Problems in the no-supplanting category persist. The absence of clear criteria for achieving and maintaining compliance with this rule has been a major factor. Issues today are less at the level of general system/school problems and much more children-, staff-, and class-particular in nature. The rise of pull-out project designs appears to have played a major role in reducing the scope of violations, while raising new issues regarding the relationship of Title I activities to those of the general program. Also, issues involving areas where Title I overlaps with other state or Federal categorical programs and civil rights or program mandates (services required by law) are emerging.

The general aid category has undergone a similar change over the three periods. Problems pertaining to type of design and use of staff were the most frequently cited for all periods, although the nature of the problems has changed. Problems pertaining to type of design and use of staff were the most frequently cited for all periods, although the nature of the problems has changed. Project designs that facilitate the identification of participating children and special activities have lessened the broader types of problems (e.g., class size reductions, instruction in nonacademic subjects giving rise to general aid). The trickier issues involve those of staff assignment and utilization; these problems have yet to be met with a comprehensive solution.

The construction and equipment category was uniquely characterized by a significant decline in number of states with findings over the three time periods. Tighter rules, stricter scrutiny, and the relatively greater ease with which violations can be identified (as compared with, say, the activities of a staff member) have combined to remove this category from the list of those with continuing major problems.

SEA Management Functions

The study covered the major SEA management functions for which data were available: application review, auditing, monitoring, staffing, and fiscal management. Overall, the findings for SEA management functions show substantial progress in establishing the organizational prerequisites considered necessary to manage the state programs as contemplated by the Federal reviewers. Problems persist, but they are in the nature of expanding the responsibilities and scope of SEA-level management.

In the SEA application review and approval category, the findings indicate that procedures for satisfying this responsibility have been established and that current issues pertain to their adequacy and quality. No gross problem is apparent (such as routine approval of noncomplying applications), but continuing issues of the nature and extent of information in applications exist. More information is being recommended by the reviewers in the areas of needs assessments and the content of projects--the latter including some information from which judgments about the potential quality of the project could be made. A tension between Federal requests for more information and SEA/LEA burdens of producing and assimilating it meaningfully is evidenced by the findings in this category.

In the areas of auditing and monitoring, there appears to be a movement toward increasing the distinction between the two functions--auditing tending more toward fiscal and basic compliance matters, monitoring toward the more elusive aspects of program development and quality. Problems of scope persist for both functions; and frequency issues remain for auditing.

Staffing and administration problems have moved from concerns regarding expenditures of state administration funds for activities unrelated to the program to those regarding the allocation and assignment of staff for program supervision. Federal reviewers have encouraged the separation of Title I offices and staff from the rest of the SEA, and have closely scrutinized the efforts of some SEAs to effect functional reorganizations or consolidations.

In the fiscal management category, early findings pointed to general inadequacies in fiscal control systems, and the review documents were designed to begin the process of upgrading and refining them. In this area Federal auditors seem to have been best able to make specific recommendations for change, which have contributed to an overall decrease in the severity of problems in this category.

Persisting Problem Areas

This report revealed a number of problems we considered to be particularly difficult or important in future management of the program. The implications for these persisting problems of the general principles and conclusions discussed above are presented in the final section of the report. In addition PL 95-561, the Education Amendments of 1978 (passed in the course of the final rewrite of this report) affects some of the issues presented. A preliminary assessment of these effects is also included. Following are examples of these problem areas and the implications drawn:

Student Selection--Important here is the "greatest need" rule and tension between it and the need to sustain gains. PL 95-561 allows some leeway in retaining "successful" participants, but the appropriate mix between these goals is unclear.

Private Schools--PL 95-561 dealt specifically with the persistent problem of the meaning of comparable services. Cooperation among public and private school officials remains untreated. With use of the bypass authority becoming more common, incentives for private officials to increase cooperation may have declined.

Parent Involvement--PL 95-561 requires training for parents and for LEA staff in working with parents. A persisting problem left untreated is the uncertainty over specific rights and duties of parent councils.

Comparability--Instances of noncomparability still rank high enough to cause concern. Additionally, improper inclusions/exclusions and inadequate data may mask more serious problems. The 1978 Amendments mandated a comprehensive study of the comparability area.

No-Supplanting and General Aid Prohibition--Lack of clarity about interpretations and applications of these rules persist. The policy manual required by the 1978 Amendments should aid in disseminating what available interpretive information there is, although existing approaches do not appear to adequately address current issues.

SEA Application Review and Approval--Our conclusion was that the Federal reviewers have overrelied on SEA review of applications as a device to improve local program quality (relative to on-site visitation). The new law allows an LEA application to cover up to three years of project operation. This change may result in less reliance on the application (particularly in qualitative areas) and thus restore a more appropriate balance between application review and on-site review.

SEA Monitoring and Auditing--The monitoring and enforcement plans now required of SEAs by PL 95-561 should assist in dealing with the persisting problems of inadequate frequency and scope of auditing and monitoring reported by the reviewers.

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I INTRODUCTION

This study of trends in Title I management was undertaken for two primary purposes. The first was to determine the extent to which problems in state and local management of Title I have changed over the history of the program from 1965 to 1976. The second purpose was to highlight current management problems which need the attention of officials concerned with improving state and local management practices.

Background

Title I of the Elementary and Secondary Education Act of 1965 represented the first major Federal effort to aid elementary and secondary schools. With a current (1979) fiscal year appropriation of \$2.7 billion, Title I remains the largest program in the United States Office of Education (USOE). The primary objective of Title I is to provide supplementary special services designed to increase the performance of educationally disadvantaged students in school districts with concentrations of low-income families.

The passage of Title I infused into local school systems large amounts of Federal money that had to be transformed into services for target children without violating the categorical nature of the program. Accomplishing this task required new management responsibilities at all levels of the educational system. A three-tiered management system was created that spread responsibilities among the Federal government, the states, and local school districts. The Federal government and state educational agencies (SEAs) were given responsibility for administrative supervision and enforcement while responsibility for program design and operation was given to local educational agencies (LEAs).

At the Federal level, USOE distributes grants in accordance with Title I's formula, develops regulations and guidelines, assesses program compliance and effectiveness through monitoring and evaluation, provides

technical assistance, and imposes sanctions for noncompliance. In addition, USOE approves state annual program plans containing the state's assurances of compliance and hears appeals on SEA disapproval of LEA applications.

The relationship between SEAs and LEAs parallels that between the Federal and state levels in many ways. The SEAs distribute the state entitlement money to LEAs, review and approve (or disapprove) LEA applications for funds, monitor and assess local compliance and program effectiveness, and provide technical assistance. SEAs are also responsible for fiscal management and auditing, interpretation of Federal requirements, resolution of complaints, and application of sanctions when necessary.

At the local level, Title I places primary responsibility on the LEAs for designing and implementing the specific educational program. To obtain Title I funds, an LEA must submit to its SEA an application that describes the proposed program in detail and demonstrates compliance with program rules. In addition, LEAs are responsible for implementing the rules that determine which schools and children are served. LEAs rank school attendance areas according to low-income concentration, target the lowest ranked for services, and select participating children in the target schools based on educational need.

In general, Title I places considerable responsibility on both SEAs and LEAs for the management of Title I. In 1965, many of these responsibilities carried with them new and complex demands, which in turn required considerable adjustment in state and local education administration. In retrospect, it is not surprising that the early years reflected serious management problems as indicated by previous studies of Title I management.

Related Research

There have been a number of studies of Title I management over the years. Four of these studies are particularly noteworthy in setting the context for the present work.

ESEA Title I: Is It Helping Poor Children? Washington Research Project (1969)

Using interviews and HEW audits of the program, this report looked at management by all three levels of the system from the perspective of how well the program was reaching and serving its intended beneficiaries (educationally disadvantaged children in poverty areas). Assessing the first four years of Title I (1965-1969), this report concluded that the program was not being implemented according to its intent. Specifically, the Washington Research Project (WRP) reported widespread use of Title I funds for general school purposes and for services available through other programs (e.g., school lunch). It highlighted use of Title I funds to equalize poor schools with other schools rather than to provide extra or supplementary services. Both the Federal and state levels were strongly criticized for not accepting administrative and enforcement responsibility.

ESEA Title I: A Reanalysis and Synthesis of Evaluation Data From Fiscal Year 1965 Through 1970. American Institutes for Research (1972)

This study was designed to provide a comprehensive reanalysis of existing data on Title I operations and impact. Part of the study focused on management performance--mainly at the SEA level. The study used a categorization system for SEA management deficiencies developed by an HEW Audit Agency (HEWAA) study of its own findings covering 1965-69. AIR categorized audit findings for 1969-71 and compared the results with those of HEWAA for the earlier period. This system counted the number of deficiencies reported and calculated proportions for each of four broad SEA functions. Thirty USOE program review reports were also analyzed. The data were then contrasted with the findings of the Washington Research Project report. AIR concluded that there had been no material change in conditions reported by the WRP study.

Title I Management Analysis. Planar Corporation (1973)

This study produced several volumes, one of which dealt with management, primarily at the SEA and LEA levels ("A Perspective on Change: The Administration of Title I of the Elementary and Secondary Education Act").

A combination of observational data at the Federal and state levels and questionnaire data from an "imperfect" sample of 10 states and 36 LEAs was used. The study was designed to go beyond issues of compliance, to the areas of efficient and effective administration. The report disagreed with prior studies that had made charges of widespread illegality and failure to implement the program as intended. However, the report findings on administrative efficiency and effectiveness were described as "quite depressing." Major specific findings were: (1) regulations published by USOE were inadequate for LEAs and virtually useless for SEAs; (2) technical assistance was too little and too uncoordinated; (3) the rules used by the Audit Agency to define noncompliance were derived from the law independent from published USOE regulations; (4) USOE was not cognizant of LEA reporting burdens; (5) evaluation was insufficient; and (6) enforcement was neither timely nor consistent.

Administration of Compensatory Education. National Institute of Education (1977)

The NIE management study was part of a broader Title I study mandated by Congress. The management study included: (1) analysis of the Title I legal framework (based primarily on review of documents), (2) assessment of Federal management (using interviews and observation), and (3) assessment of state management (based on a national survey of 46 states and in-depth case studies in 8 states).

The legal analysis concluded that the legal framework was internally consistent, but neither sufficiently clear nor adequately disseminated to meet the needs of state and local officials. Additionally, the Federal management study found that USOE does not provide consistent signals to grantees in its day-to-day administration.

At the state level, NIE concluded that state agency practices differ greatly and found this to be the case for two reasons. First, many states are unclear about their exact responsibilities and authority in several areas, particularly auditing and withholding money. Second, state resources to administer Title I vary as do the uses to which those resources are put.

Rationale for Study

The findings from the studies described above suggest that the early years of Title I were marked by severe management problems at all levels but that the situation has improved over time. Popular opinion, from researchers to local and state staff to Federal officials, similarly reflects the view that the early years of Title I saw gross misexpenditures of funds but that such blatant disregard for legal requirements has diminished considerably. Given the complexity of the legal requirements, there is no question that management problems exist, but our reading of the research and public sentiment suggests that they are far less severe. Unfortunately, however, in the studies cited above, the methodologies differ so substantially that it is impossible to determine whether the more positive picture presented by the two later studies is a reflection of actual improvement in management practices or merely a reflection of differences in methodology. Consequently, one primary purpose of this study was to determine which is the case.

The best sources of data available for this type of investigation are the audit findings and program reviews (these are described in Chapter II). We understood from the outset that the characteristics of these data sources would preclude reaching unassailable conclusions about improvement in Title I management, but in the absence of other data sources we felt strongly that a comparison of audit findings and program reviews over a 12-year period could suggest some trends. These data also provide the most complete source of detailed information on problem definition--What are the characteristics of current management problems? What are the causes? Thus, a second major purpose of the study was to elucidate the areas in which SEAs and LEAs face the most difficulties so that those interested in improving Title I management have a better understanding of what poses management problems and why certain issues arise.

II DESIGN OF THE STUDY

Overview

To identify trends in types of Title I management problems, we reviewed the findings of HEW and General Accounting Office (GAO) audits and USOE program reviews from 1965 to 1976. We restricted our analysis to a sample of states for which audit or review findings existed across the time period of interest. The analysis began with the development of a classification scheme that would enable us to classify both the general and specific types of problems encountered. Application of this scheme permitted aggregation of data across data sources and states; from these aggregate data we were able to infer changes across time in the most prevalent types of management problems.

The data sources also represent the major source of Title I case law.* As such, they indicate how the program has been perceived and managed from the Federal level; how states and localities have responded, and how the rules and definitions governing Title I have evolved over the years. Hence, although the study focuses on state and local management, the sources provide information on the Federal context within which SEAs and LEAs must operate. Furthermore, the sources provide considerable insight into the issues involved in the management problems that are currently predominant. Therefore, in addition to providing a basis from which to infer trends in state and local management problems, they provide a basis for better understanding the current status of Title I management.

*Determining the meaning of a law involves two basic steps: first, reading the language of the statute and regulations; second, analyzing the case law, which consists of opinions of courts and of administrative agencies. In the latter step, a factual situation is analyzed to assess whether and how the statutes and regulations apply to it. From this, it is possible both to assess the probable legality of similar factual situations and to determine the direction and meaning of the legislative and regulatory language.

Data Sources

Data used in this study were obtained from program audits conducted by the HEW Audit Agency (HEWAA), program reviews conducted by USOE, and audits conducted by the General Accounting Office (GAO).

HEWAA Audits--The HEWAA is located in the Office of the Inspector General.* Responsibility for auditing all HEW programs, including Title I, ESEA, is lodged with HEWAA. It is headquartered in Washington, D.C., with offices in each of the 10 HEW regions. Actual on-site auditing is done by the regional offices.

States are selected for audit each year by the regional audit director in consultation with the Washington office. Selection is neither cyclical nor random. The principal factors involved are date of the last audit, available manpower, requests from various sources, and indications of problems.

The purpose of an audit is to evaluate the state administration of a program. In forming judgments about SEA management, auditors review operations at both SEA and LEA levels. Where appropriate, they are supposed to relate LEA problems to weaknesses in SEA management. Therefore, audits provide information on program management and operations at both SEA and LEA levels. Once a state is selected for audit, a number of LEAs within the state are chosen for intensive study. Generally, auditors make a preliminary assessment of statewide problems in the state office. Then they select LEAs for investigation that may illustrate problems about SEA management. An additional selection criterion is a desire to maximize the percentage of the state's Title I allocation covered by the audit. An HEWAA official reported that by selecting large LEAs it is frequently possible to cover up to 60% of a state's allocation. The LEA selection method introduces biases: large grantees and those with known

* OIG was created in October 1976 by P.L. 94-505. Previously, HEWAA had been located in the Office of the Assistant Secretary, Comptroller. Under the new structure, the Inspector General reports directly to the Secretary and the Congress.

problems are overrepresented; the LEAs reviewed are not necessarily representative of the state (or nation) on such criteria as urban, suburban, rural.

Audits provide the most detailed look available at actual program operations. HEW records indicated that about 180 Title I audits had been completed from the beginning of the program through 1976--the last year included in this analysis. All states have been audited at least once. An audit team usually consists of about four people who spend from a month to a year (or more) on site, the time depending on the size of the grantee and the complexity of the problems encountered. The time/man-power commitment is sufficient to permit verification of applications and reports through examination of source documents. The audits contain information on compliance, fiscal accountability, and management effectiveness and efficiency. Auditors use an audit guide that outlines items for review of LEA programs; however, the emphasis of individual audits may vary depending on conditions in the states under review, available manpower, regional HEWAA emphasis, and other factors. HEWAA has also begun to conduct specialized audits that focus on only one area, such as comparability. A problem uncovered by an audit is called an "audit exception."*

USOE Program Reviews--In 1970, USOE began Title I "program reviews" as part of its monitoring responsibilities. Program monitoring is handled by the Title I Program Operations Branch in the Division of Education for the Disadvantaged. This branch normally monitors the performance of every SEA each year. The monitoring team usually includes four staff people, three from the Washington office and one from the region involved; however, more people are sent when large LEAs are reviewed. Reviewers spend about one week in each state, and produce a report from 5 to 20 pages long.

*When an audit is completed, it is reviewed by USOE. If USOE agrees with the HEWAA, a final determination letter is sent to the SEA; if USOE disagrees, a preliminary determination letter is sent to the SEA requesting more information. USOE then reevaluates the evidence and sustains or overrules the HEWAA finding.

The program review, like the audit, is an evaluation of the state administration of the program. The monitoring team divides its time between performing an SEA review and visiting a small sample of LEAs. Reviewers additionally perform a technical assistance function since they discuss an array of program problems and answer questions.

Reviewers follow a checklist type of monitoring instrument, which covers 12 critical compliance areas such as fiscal management, comparability, needs assessment, and parent involvement. This checklist approach produces a somewhat greater consistency in the topics covered by program reviews than is the case with audits. Consistency is also fostered by the fact that these reviews are all conducted under the direction of the Washington office, thereby reducing regional variation. The annual coverage of each state makes program reviews an asset to our data base. However, they are less detailed than the audits. Program reviewers rarely have time, for example, to verify records against source data.

GAO Audits--Finally, we have used audits conducted by the General Accounting Office (GAO), the independent auditing agency of the Federal government. GAO audits are usually made in response to congressional or Federal agency requests. Sometimes they are prompted by current interest in a particular topic or controversy.

The GAO headquarters office has a section that deals solely with education and training programs. Most of the on-site audits are conducted by regional staff. The headquarters staff coordinate GAO activities with respect to education and train the on-site regional staff.

At the time of this study, GAO has completed five audits of the state administration of Title I. Two of these were for states in our sample; these audits followed a format quite similar to that of the HEWAA audits. Although the terminology and types of conclusions reached sometimes differed, the two GAO audits were compatible with the other data.

Time Periods

To allow comparisons of management problems over time, we divided the years from 1965 to 1976 into three time periods: 1965-1969, 1970-1973, and 1974-1976. The years from 1965 to 1969 are generally considered to be the "early years" of Title I--the years during which rules were being initially developed and staff at all levels were becoming familiar with the program. This period also corresponds closely to the initial HEWAA audits.

The second period, 1970-1973, included the passage of P.L. 91-230, which made significant changes in the program. This period also saw the beginning of the annual USOE program reviews and the release and wide publicizing of the initial HEWAA audits.

The third period, 1974-1976, began just prior to the passage of P.L. 93-380 which again made considerable changes in the program. It is also the period during which the comparability reporting system was fully implemented. Because complete data were not available beyond 1976, this year marks the end of the third period.

Since these periods represent distinct stages in the development and refinement of Title I, they form reasonable cut points for comparisons of management problems across time. Problems resulting from the confounding of the time periods with changes in the program are considered in detail in the analysis section and throughout the discussion of the findings.

Sample of States

To maximize the validity of comparisons across time, we required similar information on the same states for all three time periods. Since the data sources provide only partial coverage of states and time periods, it was necessary to restrict ourselves to a sample of states for which comparable information could be obtained across the time periods. Because USOE program reviews are available only since 1970 and GAO audits are infrequent and irregular, the availability of HEWAA audits was the most important factor in determining which states would be included in the sample.

Thirteen states had HEWAA audits for all three time periods and were therefore included in the sample. From the remaining states with HEWAA audits for two of the three time periods, we selected an additional 6 states to increase representativeness of the 10 HEW regions and to increase variation in state demographic characteristics. This resulted in a sample of 20 states^{*} with HEWAA audit data for most of the states in all three time periods. The USOE program reviews provided additional data for all 20 states in the latter two time periods, with the GAO audits supplementing the data set and adding information for the only state in the 1965-1969 period for which no other source of data existed. Table 1 lists the 20 states by HEW region.

Analytic Approach

The analysis approach, in brief, was to identify management problems in the audit reports and program reviews, to classify the problems into broad categories and then subcategories, and finally to compare and interpret the findings across the three time periods.

Classification--The first step of the classification process was to develop a list of categories under which most of the major management problems could be readily classified.[†]

The two primary considerations in the development of the categories were, first, to cover all the important areas of program management, and second, to ensure that sufficient data existed in each category to support

*The sample of 20 states was augmented by 3 states for the analysis of comparability. Because of the recency and importance of this requirement, we expanded the sample to include all available HEWAA audit information.

†We refer to "management problems" to include audit "exceptions" and program review "findings." Both of the latter terms refer to instances where Federal reviewers have concluded that a particular procedure, expenditure, or manner of operation is not in conformity with Title I program rules. This conclusion is based on the reviewers' investigations and knowledge of the rules. A conclusive determination that the exception or finding was in violation of Title I rules is made by USOE only after studying the audit or program review report.

Table 1

SAMPLE STATES BY HEW REGION

<u>Region</u>	<u>State</u>	<u>Region</u>	<u>State</u>
I	Connecticut	V	Illinois
	Massachusetts		Wisconsin
	New Hampshire	VI	Oklahoma
II	New York	VII	Iowa
III	Delaware		Missouri
	West Virginia	VIII	---
IV	Alabama	IX	Arizona
	Florida		California
	Kentucky	X	Idaho
	North Carolina		Oregon
			Washington

analysis. To accomplish this, we examined the audit and program review documents as well as the guides and checklists used by the reviewers to obtain a general sense of the areas investigated by the reviewers and auditors. From this examination and our analysis of the important legal requirements, we developed a list of 15 categories, which fall into 4 broad areas: eligibility and targeting, program development, funds restrictions, and SEA management functions. The 15 categories are presented under these general headings in Table 2.

The classification of findings (audit exceptions or negative program review findings) into the 15 categories was greatly facilitated by the headings used in the program reviews and audits. In most instances, particularly with program reviews, the findings were already classified into one of the 15 categories by virtue of the heading under which they were reported. In cases where the heading did not indicate the appropriate category unambiguously, we turned to the discussion of the finding. From the discussion, either the legal citations, the key words used, or the concepts discussed, clearly indicated which category was appropriate. These indicators--heading, legal citations, key words, and concepts--were used in that order; that is, if the heading did not allow unambiguous classification of the problem, we turned to legal citations, and so forth. In all cases, all indicators were applied after the initial classification to verify the accuracy of each classification. (See Appendix A for a more detailed description of this stage of the classification process.)

The second step of the classification process was to further refine the classification scheme by developing subcategories under each of the original 15 categories. The first step of the classification process resulted in a set of tables that listed the specific findings within each of the 15 categories by state and by time period. To develop subcategories, we grouped similar findings together and, using the requirements of the law and regulations as a guide to the essential elements of each category, developed a set of subcategories for each of the 15 categories. (See Appendix A.)

Table 2

TITLE I MANAGEMENT CATEGORIES USED IN THE STUDY

Eligibility and Targeting

- Attendance Area Eligibility and Targeting
- Student Eligibility and Targeting
- Participation of Private School Children

Program Development

Program Design:

- Needs Assessment, Performance Objectives
- Concentration, Evaluation

Parent Involvement

Funds Restrictions

- Maintenance of Effort
- Comparability
- No-supplanting
- General Aid
- Construction and Equipment

SEA Management Functions

- Applications Review and Approval
- Monitoring and Auditing
- Staffing and Administration
- Fiscal Management

Two problems arise in any data reduction procedure. The first is that some richness of detail and some distinctions are lost. In a situation such as this, however, when massive amounts of information must be analyzed, this loss is inevitable. To compensate partially for the detail lost in this procedure, we include in the presentation of the findings additional explanation and elaboration of the problems in order to give the reader a sense of the underlying issues. The second problem is that of the reliability of the classification procedures themselves. To avoid erroneous classification (or at least to provide consistency in making the classifications), the work was accomplished by two professional staff members who each did about half. Each person's work was then reviewed by the other and disagreements were resolved at that point. (See Appendix A.) Finally, detailed tables indicating the makeup of the classifications underwent outside review.

Analysis--The characteristics of the available data preclude any straightforward numerical analysis. Ideally, we would have liked to simply compare the frequency of management problems across the three time periods by category and subcategory. For such comparisons to be meaningful, however, one must assume that data sources are comparable for the three time periods, i.e., that the same areas were investigated in the same way. This assumption is not met in several ways. First, the quantity of data available differs considerably between the first time period, during which program reviews were not conducted, and the later two, which contain both audits and a large number of program reviews. This change in number of sources severely biases any numerical comparisons. Even if the number of problems had not increased, one would expect to encounter a higher frequency of problems when looking at a time period in which more evidence had been obtained. Hence, the second two time periods, by virtue of including the program reviews, would be expected to identify more problems. The alternative was to omit the program reviews, but this would eliminate one of the largest sources of information on the types of management problems that exist. Second, even within one type of data (such as the HEWAA audits), there are no assurances of uniformity. In fact, from reading the audits it is clear

that not only were different management areas investigated during different audits over time, but different auditors looked for different things and interpreted rules and definitions differently. One result of this situation is that the absence of findings for a given problem in a given state is ambiguous. It can imply either that no problem was found or that no one looked for it, and it is impossible to tell which is the case. Hence, any straightforward comparison of numbers of problems over time is dangerous and misleading, even where the same number of states have been reviewed. A third reason for precluding such comparisons is that they do not take into account the severity of the problems under investigation. Thus, there could be a great increase in the number of states with a problem in a given category, but the findings could relate to a far more minor issue in later years than in early ones.

These severe limitations of the data, combined with our desire of retrieving as much descriptive information on the nature of the problems as possible, led us to develop a primary analysis strategy that rests not on the numerical counts themselves, but on the rank ordering of problems for a given time period and changes in these rank orders over time. Our main approach is to contrast the rank orderings across the time periods and interpret the causes and explanations for shifts in rank order in terms of improvement, decline, or changes in concerns, emphases, definitions, rules, etc. Hence, it must be clearly understood that the analysis is not intended to communicate a definitive answer to "Are problems increasing or diminishing?" but rather to create an understanding of how problems have changed over time and the implications of these changes for how Title I management has developed over time. When the subcategories permit, we draw inferences concerning the severity of the problems.* These are indicated in the text.

* In a very few categories, we have taken note of the change in numbers of states over time. This is an exception to the analysis strategy which was used only when a change (rise or decline) was so marked as to suggest an interpretation. Such interpretations are only that and cannot be supported from the analysis strategy.

The following four chapters provide our analysis of the findings from audits and program reviews in four areas: eligibility and targeting, program development, funds restrictions, and state education agency management functions. The specific management categories are grouped within these areas. Each chapter begins with an overview of the area and then each category discussion begins with a very brief summary of the legal requirement.* This is followed by a discussion of the findings and conclusions and interpretations for each category. Chapter VII presents our summary and conclusions looking across all categories, describes general themes that appear from the analysis, and suggests implications for the future of Title I management.

* These summaries are in no way exhaustive descriptions of the particular requirements; rather, they serve to place the analysis in context.

III ELIGIBILITY AND TARGETING

Overview

The three categories of management problems under eligibility and targeting are problems concerned with attendance areas, students, and private schools. The eligibility and targeting rules for Title I are used to determine where and to whom assistance is to be provided. Eligibility refers to the determination that, by virtue of specified characteristics, children in certain attendance areas are entitled to participate in the program. Targeting is the process of deciding which of the eligible attendance areas and which children are to be actually served. Eligibility determinations are required because Title I is designed to assist a particular category of students, and targeting is required because program funds are not sufficient to serve all those who are eligible.

Title I rules specify criteria for eligibility and targeting, and require systematic procedures for making both kinds of decisions. The use of objective data is required in eligibility and targeting determinations--low-income data in the case of attendance areas and schools, and educational need data in the case of children. When ineligible schools or children are served, or when targeting is not based on need, the LEA is noncompliant. Proper procedures and data are considered necessary to guard against arbitrary or subjective decisions which could defeat the purpose of the Act. The SEA role is to assure that the appropriate procedures are set up, that the data are current, correct, and properly used, that the results are in compliance with applicable rules, and that the LEA has followed the procedures established.

Special eligibility and targeting issues arise from the Act's inclusion of children attending private schools in the group to be considered for program participation. Children residing in the eligible attendance areas who go to private schools must be given genuine opportunities to

participate and the services provided (if different) must be comparable in quality and scope to those provided public school children.

Attendance Area Eligibility and Targeting

Title I is designed to target money to districts and schools having high concentrations of low-income children. The SEA's subcounty allocations based on low-income data, move Title I monies to the school district. The LEA must then determine the eligibility of each school attendance area^{*} for Title I funding. Generally, Title I funds will not be sufficient to mount projects of "sufficient size, scope and quality"[†] in all eligible attendance areas. Therefore, the funds must be targeted to those schools that have the highest concentration of low-income children.

A number of rules must be followed in determining the eligibility of attendance areas. First, the attendance area must have at least as high a concentration of low-income children as the district-wide average. If there are "no wide variances" in low-income concentration among the various attendance areas, the entire district may be considered an eligible attendance area. The 1974 amendments to the law allow LEAs to use enrollment (rather than residence) figures in computing eligibility under certain circumstances, for example, where large numbers of non-low-income children attend private schools, or where an LEA is desegregating. Also, a school in a formerly eligible attendance area can be held harmless (that is, continue to be considered eligible) for up to two years after an attendance area has ceased to be eligible. Additionally, according to regulations published in 1976, an area with 30% or more children from low-income families may be designated as a project area with the approval of the SEA.

To make eligibility and targeting decisions that conform to the intent of Title I, the LEA must use the best available data on low-income

* An attendance area is the geographical area in which the students who attend a particular school reside. The attendance area is used for targeting rather than the school, to include private school children and children not in school.

[†] 45CFR116a.22(1976).

concentrations, and must apply the data consistently. Census and AFDC data are the primary sources, but other sources (e.g., free lunch data, local surveys) are also used. USOE has encouraged the use of multiple data sources to maximize accuracy. Where multiple sources are used, however, they are to be weighted to reflect their presumed accuracy and representativeness.

Procedures for eligibility and targeting must conform to all applicable regulations and must be uniformly applied to ensure that attendance areas are served according to objective standards rather than LEA discretion. LEA discretion is appropriate only in matching the Title I program plan and number of educationally needy students to the targeting determinations.

Findings

Under the category of attendance area eligibility and targeting, we grouped the findings into four subcategories, which correspond to the elements described above of the eligibility and targeting process:

- (1) Services in ineligible attendance areas--This subcategory represents instances where Title I services are provided to schools in areas without sufficient low-income concentrations.
- (2) Ranking and concentration--This grouping includes problems involved in making decisions regarding which of the eligible areas will be served and the level of expenditure to be provided to each.
- (3) Data problems--Involved here is the use of inappropriate or outdated data in determining the eligibility of, and selections among eligible attendance areas.
- (4) Procedural problems--This subcategory includes instances of a lack of uniform procedures necessary to assure the objectivity of decisionmaking, nonadherence to established procedures, or failure to document the selection process.

Table 3 presents the findings for the four subcategories for each time period.

For the period 1965-1969, the predominant problem was services given to schools in attendance areas that did not meet the eligibility criteria.

Table 3

NUMBER OF STATES WITH FINDINGS IN THE ATTENDANCE AREA
ELIGIBILITY AND TARGETING CATEGORY

Subcategories	Number of States		
	1965-1969	1970-1973	1974-1976
Services in eligible attendance areas	9	4	4
Ranking and concentration	4	9	7
Data problems	4	7	13
Procedural problems	2	8	6
Total number of states with findings	11	18	18

N = 20

During this period, the auditors found that schools served were in attendance areas that did not have low-income concentrations at least as high as the district-wide average. The ranking and concentrations problems entailed failure to concentrate on a limited number of eligible attendance areas and improper use of the "no wide variances" exception.

By the 1970-1973 time period, services in ineligible attendance areas was the least dominant in the four subcategories. All three remaining subcategories reflected more problems. The ranking and concentration problems entailed improper identification of eligible areas or selections not according to set procedures, as well as the improper "skipping" of eligible attendance areas.* The procedural problems entailed mainly the lack of uniform criteria or procedures for selection

*"Skipping" refers to the failure to serve attendance areas in strict order of their low-income concentrations, so that one or more schools with the highest concentration are not served.

of attendance areas, and inadequate documentation of the process. Data problems entailed a lack of necessary data or the use of subjective data (e.g., teacher judgment about economic status) to make the determinations.

For the period 1974-1976, services in ineligible attendance areas again ranks lowest and data problems dominate. Data problems reported were of three major types: use of outdated, inaccurate, or inconsistent data; use of improper or subjective data; and failure to weight various data sources. The substance of ranking and concentration problems and procedural problems were similar to those described above for the 1970-1973 period.

Conclusions and Interpretations

The primary pattern that can be seen in the findings concerning attendance area eligibility and targeting is a shift from what is to be done to how it is to be done. In 1965-1969, states were most often cited for giving Title I services to some schools whose attendance areas did not meet the eligibility criterion of having at least as high a concentration of low-income residents as the district average. This is the most serious violation of the four subcategories because it undermines the categorical nature of the program. By 1974-1976 states were being cited primarily for data problems. The auditors and program reviewers currently are asking for better data, more sophisticated use of the data (e.g., weightings), and increased objectivity of the targeting process. Although these may be viewed as primarily technical issues, and hence less serious than serving ineligible areas, the concern is that poor data or improper procedures may mask situations where ineligible attendance areas are being served.

During both the 1970-1973 and 1974-1976 periods, almost all the states received findings concerning attendance area eligibility and targeting. This category is, therefore, under continuing scrutiny by the Federal reviewers, particularly with regard to the data, but also with respect to ranking and concentration, and the use of proper procedures.

Student Eligibility and Targeting

An important aspect of the Title I program is the way in which educationally disadvantaged children are identified, selected for participation, and retained in the program. Once Title I monies have been allocated and distributed to the school level according to economic criteria, educational criteria are used to select students for participation in Title I projects. This selection process has two steps:

- Identifying eligible students (educationally disadvantaged children)
- Selecting participants from among the eligible students according to greatest need.

The Title I legal structure sets forth rules to be followed in selecting students. Children who are achieving at a level "appropriate for children of their age" (at grade level) are not eligible. Also, where all eligible children cannot be served, those in "greatest need of assistance" should be selected. This has usually been interpreted to require selection of the lowest achievers from the eligible group.*

There are certain procedural rules that are intended to assure that students are properly selected. The LEA must follow established selection procedures, and must use certain types of information in selecting students:

- "Appropriate data and specified criteria" rather than subjective or nonuniform criteria.
- "Diagnostic procedures."
- Consultations with teachers, parents, and "persons knowledgeable of the needs" of eligible students.†

* Prior to 1976, this rule also required dropping students who had progressed to the point where they were no longer in "greatest need." The 1976 regulations have modified this rule to allow retention of students in the program if they participated in the prior year's program, they reside in a target area, and they are still educationally disadvantaged. The change allowed longitudinal services to students who have made some progress, but are not yet performing at grade level. (45CFR116a21(e)). The 1976 regulations were not in effect when the documents we reviewed were prepared.

† These were first specified in the 1976 regulations, although they have previously appeared in other forms.

Findings

Table 4 shows the number of states with findings in the category of student eligibility and targeting. These findings are grouped under four subcategories:

- (1) Services to all students or large numbers of ineligible students--
This subcategory covers situations where no apparent attempt is made to identify eligible students or to make selections from among them.
- (2) Use of economic or other improper criteria to select students--
This entails cases where some selection process is occurring, but improper criteria such as low-income status or "motivation" (i.e., first-come-first-served enrollment) are being used.
- (3) Noncompliance with "greatest need" requirement--Even if eligible students are properly identified and there is some appropriate selection criteria, the LEA must choose those in greatest need of assistance.

Table 4

NUMBER OF STATES WITH FINDINGS IN THE STUDENT
ELIGIBILITY AND TARGETING CATEGORY

Subcategories	Number of States		
	1965-1969	1970-1973	1974-1976
1. Services to all students or large number of ineligible students	2	4	2
2. Use of economic or other improper criteria to select students	7	7	8
3. Noncompliance with "greatest need" requirement	2	9	6
4. No uniform selection criteria/procedures; failure to adhere to to state criteria/procedures	2	8	6
Total number of states with findings	10	17	13

N = 20

- (4) No uniform selection criteria/procedures; failure to adhere to stated criteria/procedures--The requirement of uniform criteria and procedures is intended to assure that selections are properly made. When criteria and procedures are established, they must be adhered to in practice. This subcategory also included problems of subjective selection.

During each of the three time periods the rankings of the subcategories changed. During 1965-1969, the most frequently cited problem was the use of low income or some other noneducational criteria to select students, in contravention of the program rules. During 1970-1973, the most frequent problems involved noncompliance with the greatest need rule, lack of (or nonadherence to) selection criteria and procedures, and use of improper criteria. During 1974-1976, the same three subcategories are frequently cited, although the rankings differ.

Since the use of improper criteria for student selection (subcategory 2) persists, we looked more closely at the form this problem has taken. Table 5 provides a breakdown of the improper criteria used during each time period. Table 5 shows that during 1965-1969 use of economic criteria was most often cited but that during 1970-1973 and 1974-1976 criteria resulting in selections at or near grade level^{*} dominate.

Conclusions and Interpretations

There is little change in the rankings across time periods. Most significant is the finding that the most severe problem--serving large numbers of ineligible students--does not dominate in any of the time periods; in fact, it is the least prevalent. But problems with appropriateness and uniformity of selection criteria and "greatest need" requirements persist.

There is indeed a dilemma faced by local officials having to select from among a group of children all identified as having needs to be served. Added to this are the difficulties occasioned by the prior

* Selection based on potential (i.e., a gap between tested achievement level and IQ-based expectation) is included here because the result was usually selection of students at or near grade level.

Table 5

BREAKDOWN OF ECONOMIC OR OTHER IMPROPER CRITERIA USED
TO SELECT STUDENTS (Subcategory 2)

<u>Identified Types of Improper Criteria Used to Select Students</u>	<u>1965-1969</u>	<u>1970-1973</u>	<u>1974-1976</u>
Economic criteria/low-income status	4	2	2
Criteria resulting in selection of students at or near grade level; selection based on student poten- tial (e.g., IQ "expectancies") rather than need	3	6	6
Open enrollment/first-come-first- served	3	3	-
Other	2	2	1
Total for Subcategory 2 (undupli- cated)	7	7	8

year participants who have made enough gain that they are no longer in "greatest need," but still in need. Although there was a notable absence of findings dealing with student retention in our data, this issue appears to be dealt with as one of selection for the subsequent year's program. Now that the improved-but-still-needy student may also be served (as of 1976), the dilemma of allocating scarce Title I resources becomes even more troubling since the change adds a group of students to the existing group found to be in "greatest need," while resources remain limited. The problem admits of no easy or clear solution, and is left to the judgment of local officials.

Participation of Private School Children

Since Title I is intended to serve low-achieving children in geographical areas where poverty is concentrated, and since such children may attend private schools, the program provides for services to eligible private-school children. The regulations provide that eligible children attending private schools "shall be provided genuine opportunities to participate...consistent with the number of such... children and the nature and extent of their educational deprivation."* Private school children are thus to be included both in the targeting determinations and in the LEA's assessment of educational needs.

Where the needs of eligible private school students differ from those of public school participants, the services provided may differ. However, the services provided to private school students must be "comparable in quality, scope, and opportunity for participation" to those provided to public school participants.†

Title I services may be provided on the private school site, but the LEA in all cases is to "maintain continuing administrative direction and control over those services."‡ This includes "active supervision" over the activities, equipment use, and personnel performing services on the private school site. However, the Guidelines also call for the involvement of private school staff and parents in the "early stages of program planning and in discussions concerning the needs of children in the various eligible attendance areas."

Attempts to comply with Title I rules for private schools have been hampered by the interpretation of constitutional prohibitions against public aid to parochial schools in some states. The basic issue seems

* 45 CFR 116.19(a)(1974), now contained in 116a.23(a)(1976).

† Program Guide #44, Sec. 4.5, 45 CFR 116a.23(c)(1976), Cf. 45 CFR 116.19(b)(1974).

‡ Program Guide #44, Sec. 4.5.

to be whether Federal Title I funds are "public monies" within the meaning of state constitutions, and, if they are, what arrangements will avoid conflict with state law.

From 1965 to 1974, cases of an LEA's failure to comply with the requirements for participation of private school students could result in disapproval of the LEA's application. In 1974, Congress enacted bypass provisions, authorizing the Commissioner to go around the public agency and make direct arrangements to serve private school children where such services were prohibited by state law or where the LEA had "substantially failed" to comply. The 1976 regulations specify the various criteria and procedures to be used where the Commissioner decides to invoke this authority. The bypass was first used during the 1976-1977 school year. As of this writing, the bypass is being used for eight LEAs in two states. A number of other situations are being investigated.

Findings

The findings for the category of participation of private school children are summarized under six subcategories. These subcategories reflect the requirements and restrictions that Title I places on the participation of private school children:

- (1) No or inadequate participation--This subcategory concerns the number of private school children being served.
- (2) Work relationships, communication, knowledge problems--Deals with the quality and extent of communication between public and private school officials, and with LEA success in fulfilling its responsibility to consult with and involve appropriate private school officials in the program.
- (3) Technical problems--These concern attendance area targeting to include private school children, identification and selection of students for participation, and the inclusions of private school children in needs assessments.
- (4) Service delivery--Relates to the requirement that private school children be given a "meaningful opportunity" to participate and that services given to private school children be comparable to those given to their public school peers.
- (5) State constitution problems--These problems arise over the legality of serving private school students and the efforts being made to reach accommodations with state law.

- (6) SEA role--Problems can arise in the extent to which the SEA has provided criteria for the participation of private school children, has advised LEAs as to proper criteria, and has taken an active role in assuring meaningful opportunities for participation by private school children.

Table 6 presents the findings for these six subcategories. Since so few problems were noted during the 1965-1969 period, presumably because little attention was paid to the issue, it is impossible to rank the subcategories for this time period. In both later periods, however, three problems dominate, work relationships, technical problems, and delivery of services. To better understand these problems, we looked beyond the numerical counts and rankings.

To provide the appropriate services, LEA officials must work with private school officials. In some cases, lack of participation resulted because private school officials were unwilling to work through the maze of requirements that come with Title I; in others, the LEA was unwilling to extend services to private school children or to work with private school people. In 1970-1973, 3 of the 10 states were cited for problems in this subcategory, and 5 of the 7 states cited in 1974-1976 had no involvement of private school officials or of parents of private school children in the programs. In 4 states during 1970-1973 and 2 states during 1974-1976 there was insufficient involvement of private school officials, or lack of cooperation among public and private schools. These findings may indicate a lack of knowledge among private school officials about the opportunity for, and rules pertaining to, participation of their students in Title I.

Determining the extent to which private school students will participate and the services to be provided raises various technical problems. Most of the problems cited related to the inclusion of private school children in the needs assessments (5 of the 7 states cited in 1970-1973 and 7 of the 16 cited in 1974-1976). In each of the two time periods, 2 states had problems including information on private school children in the targeting determinations.

Table 6

NUMBER OF STATES WITH FINDINGS IN THE PARTICIPATION
OF PRIVATE SCHOOL CHILDREN CATEGORY

<u>Subcategories</u>	<u>Number of States</u>		
	<u>1965-1969</u>	<u>1970-1973</u>	<u>1974-1976</u>
1. No or inadequate participation	-	5	5
2. Work relationships, communication, knowledge problems	-	10	7
3. Technical problems	1	9	7
4. Delivery of services	1	8	7
5. State Constitution problems	1	3	4
6. SEA role in assuring private school participation	-	1	4
Total number of states with findings	2	18	16

N = 20

The manner in which services are delivered to private school participants is important in light of the Title I requirements that private school children be given meaningful opportunity to participate and that services be comparable to those in public schools. "Meaningful opportunity" and "comparable services" are related requirements. Where the services provided to private school students are not identical to those provided their public school peers, satisfaction of these requirements entails a good deal of judgment on the part of LEA officials. In some instances, the private school services seemed clearly not comparable; in others, it seems much more difficult to judge. Difficulties with state law (discussed below) added further complexity in some states. Finally, problems of inadequate participation require resolution before issues such as comparable services become relevant.

For the two later time periods, the basic problem of either no participation or disproportionately low participation of private school children ranked fourth of the six subcategories. The specific problems reported included providing no services, providing services to too few participants, and disparities in the extent of participation (e.g., no participation in small LEAs). The reasons for little or no participation may vary, but the fact remains that LEAs are required to obtain the participation of those eligible private school students who have the greatest need.

Among the lowest ranking problems for the two later periods was making Title I private school requirements comport with state constitution prohibitions against using public monies in parochial schools. Because this problem varies by state, it cannot be characterized in general terms. During 1965-1969, an audit of Oklahoma noted the problem, but added that the LEAs were providing private school students an opportunity to participate within the constraints of state law. In Illinois and Wisconsin, the issue was whether Title I services could be provided on site. In Wisconsin, the Attorney General finally ruled they could not, thus requiring the LEAs to come up with suitable alternatives. In Illinois, the issue remained unsettled as of 1976; Chicago was being allowed to provide services on site, but this was prohibited in all other LEAs

in the state. Significant problems were noted in Missouri. However, once the Barrera v. Wheeler^{*} lawsuit became active, the Federal reviewers apparently held back on further recommendations. In Kentucky, the state's Attorney General issued an opinion precluding services to private school students, but the opinion was later rescinded. From the documents we reviewed, it appeared that none of these states had found satisfactory solutions by 1976. Further controversy and confusion may be expected as efforts are made to meet the requirement for comparable services. The rules as they stand are now both complicated and unclear.

Conclusions and Interpretations

The findings concerning the participation of private school children suggest primarily that several problems continue to exist in many states: inadequate participation, service delivery problems, and state law problems. The most basic issue of no or inadequate participation does not dominate. The increase after 1969 in the number of states with management findings reflects greater attention to this category by Federal reviewers.

The kinds of problems reported among the sample states indicates the difficulty in complying with Title I rules for private school participation. These difficulties arise because the LEA has authority over Title I activities in private school programs, but no other formal authority over those schools, because the interests of the public school program frequently preclude giving money to private schools (thus inhibiting coordination at the outset), because the comparable services concept is ambiguous, and, in some cases, because of the constraints of state law.

In the future, meeting the requirement for comparable services may add new pressure to bypass, even in states not before considered to be in "substantial noncompliance" with the Title I rules pertaining to the participation of private school children.

^{*} 475 F2d 1338 (8 Cir. 1973), affd. 417 U.S. 402 (1974). Barrera was a lawsuit brought by parents of children attending nonpublic schools alleging failure to provide services to eligible nonpublic children comparable to those provided to eligible public school children.

IV PROGRAM DEVELOPMENT

Overview

Primary responsibility for the design of Title I programs^{*} rests with the LEA. In their development of programs, LEAs must comply with a number of rules: Title I programs must be "designed to meet the special educational needs of educationally deprived children," must be of "sufficient size, scope and quality" to meet those needs, must include performance objectives, and must be evaluated.[†] These requirements demand that the LEA carry out a needs assessment, specify performance objectives, concentrate the funds, and conduct an evaluation of the effectiveness of their program.[‡] In addition, LEAs are required to involve parents in the planning, implementation, and evaluation of Title I programs by establishing Parent Advisory Councils at the district and (since 1974) school levels.^{**}

Improper procedures for designing and implementing programs may result in violations of other rules such as those pertaining to restrictions on the use of funds, fiscal management, and participation of private school children. Thus program development is critical to the proper operation of Title I. It is also an area which has strongly affected traditional school practices and as such required LEAs, and SEAs in their roles of overseers, to develop new procedures and new capacities.

^{*}"Program" is defined in the General Education Provisions Act regulations as an overall plan with respect to the use of grant funds to be implemented through one or more projects (45 CFR 100.1).

[†] 20 USC 241e(a)(1), 45 CFR 116a.22(1976).

[‡] In addition to the LEA responsibility to evaluate, the SEA must conduct an annual statewide evaluation.

^{**} 45 CFR 116a.25 (1976)

Program Design

The four subcategories used in this section correspond to four "elements" of the program design process which have received substantial attention by the federal reviewers. We refer to them as needs assessment, performance objectives, concentration of resources, and evaluation.

Since Title I is intended to serve the "special educational needs" of participants, rather than general needs, the logical first step is to identify what those needs are. This assessment of needs is to result from analysis of various kinds of information including the results of achievement tests, and to serve as a guide for making decisions about what the program will involve and which eligible children will be selected for participation.

Once children have been selected to participate in the program, the Title I rules require the setting of performance objectives. These are to be measurable and "specific and narrow in scope and concentrating on a particular activity or behavior designed to lead to the improvement desired."^{*} In other words, the local Title I staff must specify what it expects to accomplish through the program for the children actually selected.

The term concentration is used in various parts of the Title I rules and in various ways (see the discussion of attendance area eligibility and targeting, and of general aid). In the context of program design, concentration is deemed a way of assuring the sufficiency of the project's size and scope. As the concept has developed, sufficient concentration is not a specific dollar amount (such as a certain per pupil expenditure), but rather a judgment made with respect to individual project circumstances about whether sufficient funds are being applied to achieve the project's objectives.

^{*}"Handbook on Performance Objectives," (USOE, 1973).

These elements--which we shall refer to as needs assessment, performance objectives, concentration, and evaluation--are the identifiable parts of the program design. It must be remembered, however, that they are abstractions in the sense that the design of Title I programs is a process which cannot be fully examined on the basis of the information we are analyzing.

Findings

Table 7 presents the findings for the four subcategories just described:

- (1) Needs Assessment
- (2) Setting Performance Objectives
- (3) Concentration of Resources
- (4) Evaluation

Needs assessment and evaluation dominate the problems in program design, particularly since 1970. Looking more closely at the nature of the problems, we found that during 1965-1969 the most frequently cited problems with needs assessment were: not conducting a needs assessment, not documenting the process if an assessment was made, or not using the needs assessment in designing projects. During the 1970-1973 period, the major problems were: inadequate needs assessments, restricted scope of the needs assessments, and other unspecified weaknesses with the assessment process. By the 1974-1976 period, the most frequently cited problems were: lack of objective data to support the needs assessment, restricted scope of the assessment, and failure to update the needs assessments annually. These changes in the types of needs assessment problems suggest a trend of improvement from initial total non-compliance (no assessment conducted) to problems reflecting technical difficulties with the assessments. Nevertheless, the predominance of needs assessment problems in the later two time periods implies that there is still considerable distance between current practice and full implementation of a thorough needs assessment process as perceived by the reviewers.

Table 7

NUMBER OF STATES WITH PROGRAM DESIGN PROBLEMS
BY DESIGN ELEMENT

Subcategory	Number of States		
	1965-1969	1970-1973	1974-1976
1. Needs assessment	6	16	13
2. Setting performance objectives	4	8	7
3. Concentration of resources	7	8	4
4. Evaluation	8	15	13

The other dominant problem is that of evaluation--a problem area which persists through all time periods. Federal reviewers have stressed three kinds of problems with evaluation: quality and uniformity of the data, use of the evaluations to inform program design, and timely submission of evaluation reports. Paradoxically, the area of evaluation is one in which numerous improvements have been noted^{*} along with the discovery of new problems. For example, during the 1974-1976 period, reviewers noted that 12 states reflected improvements in evaluation yet 13 (including 9 of the 12 with improvements) still reflected problems. Specifically, in two states, the reviewers found improved evaluation practices and procedures but also found that the reports were not submitted on time. In another state, the SEA had developed a uniform reporting system for LEA evaluations, but the data could not be aggregated across LEAs.

In general, the fact that improvements seem to be accompanied by a new set of difficulties suggests that complying with all aspects of the evaluation requirements continues to be problematic. Currently, reviewers

^{*} Improvements are occasionally reported by reviewers if they are deemed significant or pertain to a previously identified deficiency.

appear to be stressing better and more uniform standardized test data from the LEAs for use in the SEA state evaluation report submitted annually to USOE.*

Setting performance objectives and concentration of resources rank lower than needs assessment and evaluation for all three time periods. Problems with performance objectives tend to occur in those states having problems with needs assessment. Throughout the three time periods, the primary problems noted with regard to performance objectives were their omission from the LEA application and the fact that when performance objectives were included, they tended to lack specificity.

Most of the findings of concentration problems were instances where LEAs had designed programs to serve too many students. Other findings included failure to provide sufficient information in applications to assure that funds would be concentrated, and special situations such as the difficulty small LEAs have in concentrating resources and the effect of one state's policy of serving all children in certain schools with high concentrations of low-income children ("saturating"). During 1965-1969, three states received findings criticizing their failure to come near the standard that Title I expenditures should approximate one-half the average per pupil expenditure for the district, set forth in Program Guide 44. During 1974-1976, the reviewers in one state noted that programs in some LEAs were spending substantially less than the national Title I average of \$200-300 per pupil. Although problems with concentration are not predominant in any time period, it is important to note that issues of concentration may also be reflected in findings related to attendance area eligibility and targeting, and student selection, and problems are still being reported in all of these categories.

Assessing the extent of compliance with the concentration requirement has posed difficulties for reviewers. Appropriate levels of concentration have meaning only with reference to the needs to be served,

* Since 1976, USOE has developed and disseminated evaluation models for the purpose of providing uniform, aggregatable data.

the students selected, and the nature of the project. The only attempt to quantify an appropriate level came in Program Guide 44, where OE suggested that the investment per child "should be expected to equal about one-half the expenditure per child" for the regular program. While some audits used this guideline as a basis for taking exceptions, it has generally been considered a goal only, and has not been rigidly enforced.

Conclusions and Interpretations

Problems in setting up and adhering to procedures for proper Title I program design have persisted, with needs assessment and evaluation problems being predominant. Findings of nonuse have declined relative to those of inadequate or inappropriate use of the design elements. While some improvements have been noted in the documents, the findings suggest considerable distance from the ideal program design process anticipated by Title I.

Parent Involvement

Involvement of parents in Title I has been encouraged since the beginning of the program. The regulations state that parent involvement is deemed to be "an important means of increasing the effectiveness of programs under Title I."^{*} Additionally, the regulations authorize the SEA to promulgate rules and procedures "reasonably necessary to insure the involvements of parents and the proper organization and functioning of parent advisory councils." Although the idea of parent involvement has long been a feature of Title I, the rules governing parent involvement have changed substantially:

1966--Parent involvement implied by requirement of coordination with community action groups. Parent involvement encouraged by OE as a matter of policy.

^{*}45CFR Sec. 116a.25 (1976), formerly at 116.17(o).

1968--Program Guide 44 is issued including provisions requiring parent involvement. No mention is made of Parent Advisory Councils (PACs), but activities other than employment are encouraged to improve parents' ability to work with the school.

1968--Program Guide 46 is issued, recommending that district PACs be established.

1970--P.L. 91-230 authorizes the Commissioner to issue regulations for parent involvement for any program in which it would increase the effectiveness of the program. Regulations requiring district level PACs for Title I are issued on the authority of P.L. 91-230.

1971-74--OE encourages but does not require establishment of school level PACs.*

1974--P.L. 93-380 requires the establishment of school level PACs in addition to district PACs.

1976--Final regulations are published implementing P.L. 93-380 requirements.

The analysis is concerned with parent involvement in general and specifically with the establishment and operation of PACs.

In its application, the LEA must describe how parents are to be involved, how PACs are to be selected, and something about their composition. The SEA, in reviewing the applications, must make sure that the PACs will be involved in the "planning, implementation, operations, and evaluation" of Title I projects.[†] Finally, as part of its monitoring responsibilities, the SEA must check on the actual quality and extent of parent involvement at the local level.

Findings

Table 8 presents the subcategories that pertain to parent involvement, with the number of states receiving such findings during each time period. Following is an explanation of the subcategory groupings:

- (1) Failure to establish PACs/paper PACs--This involves instances of PACs not being provided for at all, or plans for their formation not being implemented.

* See "Parent Involvement in Title I," OE (1972).

[†] 45CFR116a.25(g)(3)(1976), formerly at 116.17(o)(2)(ii).

- (2) Problems in quality and extent of parent involvement--
Involves the extent of actual parent involvement and the quality of the participation. Particularly, this includes PAC involvement in planning, implementing, and evaluating projects.
- (3) Inadequate training of, or information and materials provided to parents--Training is an issue since the effectiveness of parent involvement is related to how well parents are prepared to assume the function. Title I rules require specified materials to be provided (regulations, guidelines, application) so that parents will understand their role in the program.
- (4) Inadequate information in applications to assure adequate parent involvement--The applications do not contain sufficient information to assure the SEA that the LEAs have adequately planned for PAC formation and parent involvement generally.
- (5) Inadequate SEA role in improving parent involvement--The SEA may (or must) do specific things to improve parent involvement. The SEA role includes technical assistance, promulgation of guidelines, development of policies, and the like.

Table 8

NUMBER OF STATES WITH FINDINGS CONCERNING PARENT INVOLVEMENT

Subcategory	Number of States		
	1965-1969	1970-1973	1974-1976
1. Failure to establish PACs or PAC exists only on paper	-	9	9
2. Problems in quality and extent of parent involvement	-	11	14
3. Inadequate training of, or provision of information and materials to parents	-	6	15
4. Inadequate information in application to assure adequate parent involvement	1	6	2
5. Inadequate SEA role in improving parent involvement	-	4	2
Total number of states with findings	1	19	20

Only one state received a parent involvement finding during 1965-1969 but during 1970-1973 and 1974-1976 nearly all states received findings (19 and 20 states, respectively). This increase in findings occurred at about the same time that specific rules were being issued dealing with the method to be used in involving parents.

The subcategories may be thought of as involving two levels of the parent involvement requirements. Subcategories 1, 2, and 3 pertain to what is or is not actually going on at the local level, while Subcategories 4 and 5 deal with the application process and activities of the SEA. Table 9 suggests that the predominant problems for both later time periods are those concerning activities in the LEA.

In 1970-73, 9 states had districts where PACs had not been established or planned PACs not implemented. Of the 9 states with findings in this subcategory, 6 had problems of nonimplementation. During 1974-1976, 9 states received similar findings. Of the 9, there were 3 states in which findings concerned nonimplementation of district PACs, 4 states with findings concerning nonimplementation of school level PACs, and 3 states with findings that parents did not constitute the majority of the PAC.

In the subcategory dealing with the quality and extent of parent involvement, most of the findings for the 11 states cited during 1970-1973 involved nonadherence to the requirement that PACs be involved in the planning, implementation, and evaluation of projects. Of the 11 states, 4 were found to have disparities in participation among the various districts--generally as a result of size or urban/rural differences. Reviewers criticized the failure of LEAs in 2 states to include parents of private school students on the PACs. In 1974-1976, 14 states were cited in this subcategory. Again, the main problem was failure to adequately involve PACs in planning, implementation, and evaluation. Additionally, 4 states were found to have geographical and other disparities among the LEAs in the quality and extent of participation.

During 1970-1973, 6 states were cited in Subcategory 3. Reviewers reported inadequate training of parents in 5 states, and LEA failure to provide required materials and documents in 4 states. In 1974-1976, this

subcategory was highest-ranked, involving 15 states. Of these, 10 were cited for training problems and 6 for not providing required materials and documents.

Although many LEAs were cited for problems in parent involvement at the local level, relatively few states were cited for problems in the SEA role. In addition, the reviewers specifically reported improvements in the SEA role for 11 of the 20 states. Improvements involved such specific things as SEA efforts to disseminate information, hold conferences, provide technical assistance, develop handbooks, and increase staff time devoted to training and informing parents. Nonetheless, 7 of the states with such improvements reported also received negative findings as to the quality and extent of parent involvement at the local level.

Conclusions and Interpretations

Reviewers had no specific rules against which to assess performance in the area of parent involvement until 1971. It is not possible, therefore, to talk about patterns or trends across all three time periods, because the increase in the number of states cited between the first and the last two periods appears to be a function of the promulgation of rules against which review could be made.

Nevertheless, analysis of the last two periods does suggest certain conclusions. The data indicate that problems in LEA implementation of parent involvement requirements dominate. Of these three problem areas, however, the most severe (no PAC) ranks third for the last time period suggesting perhaps that the current major problems have more to do with quality and extent of involvement and training or provision of information to parents.

Few findings criticize the efforts of SEAs to satisfy their responsibilities for furthering parent involvement, and many states received positive findings in this regard. In fact, the number of citations for improvement given at the SEA level seems to indicate that the states are working to alleviate problems reported at the local level.

V FUNDS RESTRICTIONS

Overview

Funds restrictions were established to ensure the use of Title I money for extra (supplemental) and special (categorical) services. This section presents five categories of restrictions on expenditures: maintenance of effort, comparability, no-supplanting, general aid, and construction and equipment. The maintenance-of-effort provision basically prohibits reductions in the aggregate level of support across the district. The comparability requirement is designed to ensure that non-federal funds expended in Title I schools are approximately equal to the levels in other schools of the LEA. Similarly, the purpose of the no-supplanting rule is to prevent discrimination against Title I target areas and children in the distribution of state and local resources. The "general-aid" prohibition is designed to ensure that Title I programs serve "the special educational needs of educationally deprived children." Finally, we include the requirement that construction and equipment funded by Title I monies must be related to the implementation of a Title I project.

These funds restrictions involve much more than accounting problems: they touch on the obligations of school systems to all children, the categorical nature of Federal programs, the Federal-state-local relationship, decisions about educational programming, and constraints on the choice of alternative project designs. For these reasons the existence of high level of controversy is understandable, and resolution of the issues presented will have a material effect on the shape of the program. This section presents the issues as perceived by the Federal reviewers.

Maintenance of Effort

The maintenance of effort requirement is intended to ensure that Title I funds do not replace overall expenditures from state and local

sources in the LEA. The LEA must show that effort is maintained by calculating aggregate per pupil expenditures from state and local sources. To receive Year 3 funding, the expenditures from state and local sources for Year 2 must not be less than those for Year 1. Regulations permit a reduction of up to 5% as a minor fluctuation; and make an exception for a reduction of more than 5% which results from an "unusual event," such as a sudden removal of substantial amounts of property from tax rolls.* Failure to maintain effort makes an LEA ineligible for its Title I allocation.

The maintenance of effort provision remained essentially unchanged until the 1976 Amendments[†] which authorized the Commissioner to waive maintenance-of-effort. Where the LEA can show that a decrease had been caused by "exceptional circumstances," the Title I allocation is reduced by the same percentage as the effort reduction. If the LEA can show "very exceptional circumstances," the requirement is waived without penalty. The 1976 Amendments also allow the LEA to use per pupil expenditures rather than aggregate expenditures if the former is more appropriate to local conditions.

Findings

Only a few problems with maintenance of effort were reported among the sample states (one state in 1965-69, three states in 1970-73, and three in 1974-76). Failure to maintain the required level of effort was cited in only one of the states; in the others procedural and calculation issues were raised.

In two cases, Federal funds had been included in the calculations. In another case, checks for maintenance of effort were not included in the audit guide given to CPAs conducting local audits. Other problems included comparisons of the wrong years, inaccurate figures on per-pupil expenditures, and no SEA verification of the maintenance-of-effort data.

* 45 CFR 116.19(b)(1974).

† P.L. 94-482 (October 12, 1976).

Three other problems seemed more troublesome. In California, an audit revealed that several LEAs had failed to maintain effort. When told to justify this situation by the SEA, the LEAs either did not respond or provided justifications unrelated to the one allowed by the regulations. In Washington, a number of LEAs failed to obtain voter passage of special tax levies needed to maintain district budget levels. Both of these situations occurred before the 1976 Amendments authorized waivers.* In Arizona, a 1976 program review noted that the SEA was not requiring maintenance-of-effort data in the LEA applications. The SEA said that data for the preceding year could not be obtained in time for inclusion in the application. The reviewers recommended that the LEAs make a best estimate of the expenditures and that the SEA verify these estimates when actual data became available.

Conclusions and Interpretations

Although the absence of findings in this category seems to indicate that maintenance of effort is not a major problem, several other factors should be mentioned. First, maintenance of effort is construed as maintenance of expenditure. Research suggests that in periods of rising enrollments and inflation (conditions which hold true during most of our study), the requirement is not difficult to satisfy.† On the other hand, fiscal crises or tax revolts could result in expenditure reductions sufficient to cause maintenance of effort problems.‡ The waiver might provide relief in some cases. However, the extent of its applicability is uncertain since OE has not published regulations implementing this provision. To the extent that local economic and demographic conditions

* The legislative history of the 1976 Amendments indicates that Congress had the tax override situation in mind.

† Barro, Stephen, Federal Education Goals and Policy Instruments: An Assessment of the "Strings" Attached, (RAND, 1977).

‡ It is expected that the option to use per pupil expenditures in the calculations will obviate reductions associated with declining enrollments.

are no longer combining to ensure maintenance of effort for Title I purposes, problems may arise in the future. A second factor related to the absence of findings in this category is that interviews with Federal reviewers indicate that maintenance of effort was not a high priority item for audit during the period of our study. Changed economic and demographic conditions and the potential for problems associated with implementing a new and complicated waiver provision suggest that auditors may choose to review maintenance of effort more carefully in the future.

Comparability

The comparability requirement is designed to ensure that state and local expenditures at each Title I target school are roughly equal to the district-wide average for nontarget schools. Unless comparability is maintained, it is presumed that Federal monies are simply equalizing expenditures at Title I schools and are thus not used for supplementary purposes. The 1963 regulations provided that failure to maintain comparability would be deemed a "penalization" of project areas or children and would thus violate the no-supplanting rule. Comparability became a separate statutory requirement in 1970, and USOE issued detailed regulations, including a comparability reporting system.

The first comparability reporting system required an annual comparison for each Title I target school of five ratios with those for the average resource levels of all nontarget schools. The five ratios called for calculations of pupil/adult ratios for three staff classifications (certified classroom teachers, other certified staff, noncertified instructional staff) and per pupil expenditures for instructional salaries and for other instructional costs. Each target school ratio had to come within 5% of the nontarget average ratio to be considered comparable. The number of ratios required for comparison dropped to three in 1973,

and to two in 1976.* The two remaining ratios are:

- Number of children per instructional staff member
- Annual expenditure per child

LEAs must report comparability data each year and maintain sufficient documentation to assure data accuracy. Unless each target school within an LEA is comparable, the LEA is ineligible for its Title I allocation. Even where comparability is shown, the SEA must verify the accuracy of data used and be sure that the LEAs maintain comparability during the school year.

Findings

The comparability findings are generally made in special audits of comparability conducted by HEWAA. In addition the USOE program reviews contain some comparability findings. For this part of the analysis only, owing to the newness of the requirement, we expanded the sample to include all HEWAA comparability audits that we could obtain. This resulted in the addition of four audits of states not in the basic sample-- Montana, Pennsylvania (2), and Texas. To round out this information, we also identified comparability findings in the program reviews of these three states.

Table 9 summarizes the findings identified as involving the comparability requirement. Because these findings relate only to the comparability reporting system, there are none before the 1970-73 period. Four of the subcategories in Table 10 refer to the LEA and three to SEA functions and duties pertaining to comparability. The LEA subcategories are:

- (1) Noncomparable LEAs identified--Federal reviewers identified LEAs as being out of compliance in the states reviewed.

* Between 1973-76 the third ratio (expenditures for materials and supplies per child) had to be reported if the other two ratios showed noncomparability. This requirement was omitted in the 1976 regulations.

Table 9

NUMBER OF STATES WITH FINDINGS IN THE
COMPARABILITY CATEGORY

<u>Subcategory</u>	<u>Number of States with Findings</u>	
	<u>1970-1973</u>	<u>1974-1976</u>
LEA		
Noncomparable LEAs identified	14	10
Improper inclusions to/ exclusions from comparability calculations	8	9
Inadequate LEA data availa- bility or management	3	11
Reports not submitted on time	2	4
SEA		
Inadequate SEA role in ensur- ing comparability	8	3
No SEA verification of LEA data	4	11
SEA failure to disapprove non- complying applications	1	6
Total number of states with findings	17	21

N = 23*

* Includes Montana, Pennsylvania, and Texas, as well as the 20 sample states.

- (2) Improper inclusions to/exclusions from LEA comparability calculations--Certain kinds of staff or expenditures were not included in the calculations, or staff or expenditures were in that should have been excluded.
- (3) Inadequate LEA data availability or management--Needed information was missing, e.g., school level data, or source documentation was not maintained.
- (4) Reports were not submitted on time--Deadlines are set in the regulations and SEAs generally set earlier deadlines to allow for review of the reports.

The SEA subcategories are:

- (1) Inadequate SEA role in ensuring comparability--The role is defined here as providing instructions, guidelines, and assistance and setting up procedures.
- (2) No SEA verification of LEA data--The SEA is to be sure that data making up comparability reports are accurate, generally through monitoring or auditing.
- (3) SEA failure to disapprove noncomplying applications--
This is the only sanction available to the state if the LEA cannot or will not comply.

The most serious problem in this category is a finding of non-comparability within an LEA. This was the most frequently cited problem for 1970-73 (14 of the 17 states with findings). Initially, to introduce the comparability requirement, noncomparable LEAs were required to submit a plan to achieve comparability by a specified date. Among the 14 states cited for noncomparability during the first period, LEAs in 6 states had not submitted plans as of the date of the review. Some instances of noncomparability were to be expected at the outset, but failure to submit plans to achieve comparability represented a more serious problem--inability or unwillingness to comply.

Of the 21 states with comparability findings in 1974-76, 10 were found to have noncomparable LEAs, making noncomparability the second most frequently cited subcategory. For that period, the plan requirement was not applicable; all LEAs were required to be comparable. Of the 10 states with findings of noncomparability during 1974-76, 7 also had LEAs that erroneously reported comparability. Although the reports claimed compliance, Federal reviewers determined from the source data that there was actually noncompliance.

In 1970-73, the most frequent citations beyond noncomparable LEAs were improper calculations and inadequate SEA role. In 1974-76 improper calculations ranked as the third most frequently cited problem while inadequate SEA role ranked lowest.

The calculation problems fall into three groups. First are deciding which staff to include in the calculations and how to count them. The original rules divided the staff to be counted into three types; certified classroom teachers, other certified instructional staff, and non-certified instructional staff; but these were later combined into one--regularly assigned instructional staff members. Reducing the number of classifications of staff seemed to have alleviated the inclusion/exclusion problems resulting from confusion over how to classify particular staff. On the other hand, some reviewers reported the suspicion that decisions had been made about including particular staff with an eye to showing comparable conditions rather than reporting actual conditions.

Second are problems in whether to include or exclude state programs. Resources for special education programs were originally to be included in the calculations. This was changed in 1973 because it was believed that smaller pupil-teacher ratios for special education tended to distort the comparability picture.^{*} Similar concerns, plus the desire to encourage state programs, prompted a further change through the 1974

^{*}See 38 Federal Register 17126 (June 28, 1973).

amendments, so that bilingual programs and state compensatory programs meeting certain criteria could also be excluded from the calculations.*

Most of the problems of program inclusions identified concerned special education programs. During 1974-76, 4 of the 9 states with calculation problems had, among other things, improperly included special staff and/or students. In at least one state, the effect was to wrongly show all Title I schools to be comparable. In another state, an LEA was cited by the program reviewers for excluding the teachers in a pilot program being operated in five nontarget and three target schools. In California, the OE reviewers construing the statutory change for state compensatory programs said that the exclusion of the ECE and SB90 programs was questionable as both provided general aid to the schools.†

Third, some LEAs were erroneously identifying target schools as nontarget schools and vice versa, or failing to take into account schools gaining or losing Title I eligibility. Whether a particular school is analyzed separately as a target school or put into the district nontarget average can significantly affect comparability for the LEA as a whole.

Findings that SEAs had not carried out their responsibility for assuring comparability were made in 3 states during 1970-73. The problems identified were mainly the result of inadequate SEA assistance to LEAs on how to complete comparability reports. For 1974-76, reviewers said the three cited SEAs failed to require assurances or establish procedures to be sure comparability was maintained over the school year.

The comparability reporting system is based on analyses of particular data. Data problems ranked low during 1970-73 but became the most frequently cited problems during 1974-76. The findings pertaining to

* See 116a.26(j)

† The 1976 regulations (issued after this finding) give four criteria for determining whether a state program is properly excludable under the exemption for state compensatory programs, 116a.26(j)(5).

data were predominantly concerned with the adequacy of data verification and SEA auditing and monitoring for comparability. In addition, problems in many states involved incompleteness of data collected and of records retained.

Table 10 also shows that a few states received findings relating to the timeliness of LEA comparability reports. Where the reports are not submitted early enough, the SEA has little chance of causing the LEA to make necessary resource reallocations. Also, if LEA reports are late, the SEA report to OE will be late, and data will not be available to OE in time for its analysis.

If an LEA has noncomparable Title I schools, and cannot (or will not) make appropriate resource reallocations, the SEA is required to disapprove its application for Title I funds. The reviewers reported that one SEA approved noncomplying applications in 1970-73 and 6 SEAs did so in 1974-76. Of the 6, 3 SEAs approved LEA applications even though the LEAs involved had reported noncomparable conditions; in 2 states the noncomparable conditions were uncovered by the reviewers through analysis of source data; and in the sixth state the LEA applications were approved prior to receipt of the comparability report.

Conclusions and Interpretations

The findings suggest continuing problems in the implementation of the comparability requirement for both the LEAs and the SEAs, although the number of states with LEAs identified as being noncomparable has declined slightly between the two time periods. Despite the simplification in the required ratios, problems of improper inclusion or exclusion of staff and expenditures persist. With the exclusions provided for state categorical programs available, the opportunity exists for LEAs to "manufacture" comparability by shifting staff salaries from the general fund to a state program and vice versa. Evidence that this in fact occurred was presented in a couple of comparability audits included in our study.

Data problems are being cited with increasing frequency. Since the entire system rests on analysis of specified data, the lack or inaccuracy of data pose serious problems. Such problems, besides precluding effective operation of the system, could also have the effect of masking actual conditions of noncomparability even where the reports submitted show otherwise.

Related to the data problems are findings indicating an apparent reluctance among SEAs both to verify the LEA data collected and reported, and to disapprove applications of noncomplying LEAs. Verification is an important function, particularly in light of findings that some LEAs reporting comparable conditions were subsequently found to be noncomparable when the Federal reviewers recalculated. Since the data reporting is for the purposes of ascertaining compliance, there is an inherent tension created where the SEA must on one hand assure the accuracy of data, and on the other impose a severe sanction where accurate data reflect non-comparable conditions.

No-Supplanting

The purpose of the no-supplanting rules is to prevent discrimination against Title I project areas and children in the application of State and local resources, and to assure that Federal money is used for supplemental services. The regulation in effect during 1965-76 set forth the following restrictions on the use of Title I funds: *

* The no-supplanting regulation has been amended six times since 1965. The first two parts of the rule described in the text have always appeared in some form. The third appeared in 1971 as a clarification of the no-supplanting concept at the same time that the comparability regulations were first published in final form. The last amendments occurred on September 28, 1976: (1) The phrase "ordinarily provided" was replaced by the phrase "equitably provided," which now appears in the regulation section dealing with project size, scope, and quality (41 FR 42894, see pp. 42896, 42906, and 42919); (2) A prohibition against using Title I funds to provide services required by State Law, Title VI, CRA, Title IX, P.L. 94-318, Section 504, VRA, or pursuant to a final order of a court was added; and (3) A requirement that programs or projects in Title I applications must be funded from state and local sources to the extent that such funds are "designated and available" at the time of application for particular services was added. The documents analyzed here were prepared prior to adoption of the 1976 regulations.

- Title I funds may not be used to replace state or local funds that would be made available in the absence of Title I for participating children in a project area.
- Neither the project area nor the participating children may otherwise be penalized in the application of state and local funds because of the use of Title I funds.
- Title I funds may not be used to provide instructional or auxiliary services that are ordinarily provided with state/local funds to children in non-project-area schools.*

The no-supplanting concept has always been imbedded in the Title I framework, although the rule first appeared in the statute in 1970. In 1974, Congress also added a clause stating that Title I funds were to pay only for the "excess costs" of programs and projects funded under ESEA.

Comparability was once considered a part of the no-supplanting rule, but came to be viewed as a separate requirement after specific language was added to the law in 1970. Gaps between no-supplanting and comparability have since then generally been filled by reference to the section of the rule dealing with ordinarily (or equitably) provided services.

The specific elements that constitute supplanting are not self-evident. USOE had not spelled out criteria for operationalizing these prohibitions or clearly explained their relationship in the regulations during the period covered by this study. However, informal rules and perceptions about the allowability of particular kinds of activities have developed over time. Frequently, these rules and perceptions have been given effect by reference to various situational types which "flag" reviewers to possible violations of the no-supplanting rule. Consistent with this practice, our analysis of supplanting findings grouped them into the predominant situational types identified by the reviewers in the sample states.†

* Present regulations have modified this language to require services provided by state and local funds to be "equitably provided." 116a.22(b) (10) (1976).

† The documents generally did not provide a close and detailed legal analysis of why a particular situation constituted "supplanting." Rather, the regulation was quoted and the situation described.

Findings

Table 10 summarized the findings identified as having involved the no-supplanting rule. Each finding represented one of the five situational types* explained below:

- (1) Title I assumption--The transfer of formerly locally funded staff or activities to the Title I program.
- (2) Interschool Title I substitution--The use of Title I funds for staff or activities in target schools which state/local funds pay for in nontarget schools, e.g., learning centers, nurses, counselors, regular teachers.
- (3) Intraschool Title I substitution--The use of Title I funds for activities within target schools which state or local resources have paid or do pay on behalf of nonparticipants (e.g., class-size reduction projects) and Title I classes substituted for regular classes.
- (4) Extension of Title I activities--Here, the problem occurs not when some existing local activity is cut back in target schools, but when local activity is increased in nontarget schools, thus increasing the LEA's responsibility to target schools.
- (5) Title I for normal LEA costs--Use of Title I funds for operation and maintenance, general administration, and other things required to support the Title I program, which the LEA normally provides, would provide in the absence of Title I, or should provide with local monies.

* The type names are descriptors developed for this study.

Table 10

NUMBER OF STATES WITH FINDINGS IN THE "NO-SUPPLANTING" CATEGORY
BY TIME PERIOD

<u>Subcategory</u>	<u>Number of States with Findings</u>		
	<u>1965-1969</u>	<u>1970-1973</u>	<u>1974-1976</u>
1. Title I assumption	6	4	5
2. Interschool Title I substitution	5	8	2
3. Intraschool Title I substitution	6	3	7
4. Extension of Title I activities	4	4	-
5. Title I for normal LEA costs	5	4	2
Total number of states with findings	13	14	11

N = 20

As Table 10 shows, based on number of states cited, the ranking of subcategories by frequency has changed over the three time periods.

For 1965-69, the two most frequently cited "no-supplanting" violations were the use of Title I money to assume the costs of an activity formerly paid for with state/local funds and intraschool Title I substitutions (6 states each). The Title I assumption problems appear to have arisen when local officials, looking for existing activities that seemed to comport with Title I, transferred funding of them to Title I (e.g., Title I was used to pay the costs of nursing services; Title I supplanted formerly available state/local remedial funds; Title I paid the costs of a citywide testing program, and paid the salaries of existing special reading teachers). Nearly all of the intraschool substitution problems during 1965-69 involved the use of Title I money to reduce class size.

Class-size reduction projects were generally allowed during the early period of Title I, if the LEA could show a benefit to identified Title I participants, e.g., more individualized attention as a result of smaller class size. However, where class size reductions had been planned anyway, or where no actual reduction occurred, Title I was found to be supplanting local effort.

For the 1970-73 period, the most frequently cited problem involved interschool Title I substitution. In 7 of the 8 states cited, this involved the use of Title I funds to pay for activities in target schools that state/local monies paid for in nontarget schools. In 3 of the 8 states, the level of state/local funding provided to target schools had been cut back.

During 1974-76, intraschool substitution was the most frequently cited problem. In all 7 states cited, Title I classes were being substituted for regular classes, e.g., there was a Title I reading class but no regular reading class for project participants. Of the 7 states, 2 were also cited for using Title I funds for class-size reduction--the kind of intraschool substitution most prevalent during the first period.

The predominant subcategories have changed somewhat over the three periods, but so have the situations that gave rise to findings of deficiencies within particular subcategories. These qualitative changes in the subcategories are described below.

In the Title I assumption subcategory, the kind of problem has changed over time. In 1965-69, findings showed that Title I assumed formerly state/local activities on a broad scale, where the activities seemed to be like Title I (e.g., an entire testing program, a remedial program). In 1970-73, this kind of problem was replaced by transfers of particular activities or staff from the local to the Title I budget without justification. In 1974-76, 3 of the 5 states cited had Title I staff performing non-Title I duties. This shift represents a qualitative change in the way LEAs attempt to have Title I "assume" state/local costs; that is, assumption of particular staff costs has replaced assumption of whole projects. This suggests that while problems continue to exist in this subcategory, they are qualitatively less severe.

The interschool substitution category was highest ranked during 1970-73. Many of the situations giving rise to findings in this subcategory were also covered by the comparability rules which were being implemented during this period. During 1974-76, interschool substitution was one of the two lowest-ranked subcategories.

Intraschool substitution problems in 1965-69 generally involved class-size reduction. During 1970-73, class-size reduction projects were strongly discouraged, and the number of states cited declined. In 1974-76, 7 states were cited in this subcategory. All 7 states were found to be substituting Title I classes for regular classes (e.g., reading). Thus, efforts to discourage class size reductions were apparently successful. However, the alternatives--pull-out programs and special remedial classes--introduced new supplanting problems which became the subject of reviewer findings during the later years. Specifically, separation of Title I students replaced the in-class design. The separation also meant, however, that Title I children were necessarily removed from participation in some locally funded class or classes. Questions are then raised as to whether state/local resources are being denied to participants that they would have received in the displaced regular classes. The dilemma posed moves to a more complicated and technical analysis of the precise extent and nature of state/local contributions relative to the Federal share at the child level.

Extensions of Title I types of activities to nontarget schools using state or local funds were cited in 4 states during each of the first two time periods (this involved 7 states in all during the 1965-73 period). In 1974-76, no problems of this type were identified for the sample. Under former interpretations of the "ordinarily provided" clause of the no-supplanting regulation, the effect of such extensions was to create an ordinarily provided service in nontarget schools, and thus require that level of services in target schools. This could be seen as inhibiting the extent to which Title I operates as a "change program" in school districts. However, this interpretation was recently

modified (and incorporated into the 1976 amendments to the regulations^{*}), to require only that such services be provided on a pro rata basis between target and nontarget schools in general (i.e., "equitably provided"). Now such extensions into nontarget schools need not be duplicated in every target school, but simply applied at a proportionately equivalent level in target schools generally. While not eliminating the inhibiting effect noted above, this change substantially mitigates it.

Problems in using Title I money for normal LEA costs initially reflected inappropriate decisions regarding the extent to which Title I could support its existence in the school system, e.g., may Title I pay a principal's salary in a target school, or pay for janitorial services in project classrooms? Such problems appear to have been substantially resolved by the establishment of detailed indirect cost rules.[†]

Findings in this subcategory made in the 2 states cited during 1974-76 involved interpretations of what services the LEA has a legal responsibility to provide. In one case, the USOE program reviewers indicated that Title I should not be providing bilingual education to the extent that such is required by the U.S. Supreme Court's decision in Lau v. Nichols. In the other, the reviewers said that Title I should not be paying for special education services to the extent that inadequate services result from the state's failure to fund all of their full-service state program. The current regulations include a section saying that Title I funds cannot be used to provide services required by Federal or state law, or a court order. Although this clarifies the policy, it does not seem to resolve the difficulty of determining in practice where such required services end and supplementary services begin.

^{*}45 CFR 116a.22(b)(10)(1976). Additionally, the "ordinarily provided" clause was removed from the no-supplanting regulation. 45 CFE 116.40 (1976).

[†]See OMB Circular No. A-87

Conclusions and Interpretations

Overall, the documents show a trend from "supplanting" findings made at a higher level (schools, programs, large scale activities) to those at a lower level of the school system (children, particular staff members, particular classes). This trend may be interpreted as positive in terms of remedying more obvious violations, but it also suggests that controversy over the no-supplanting rules will persist since the emerging issues are not particularly susceptible to simple solutions.

Emerging issues include the difficulties of distinguishing between the state/local and Federal contributions at a classroom or child level, determining what services the state is required to provide by law, and classifying and meeting a child's needs within an overlapping array of categorical programs. These problems involve complex interrelationships among various programs and civil rights mandates. The present rules are adequate for the early problems, but provide scant guidance for current ones.

General Aid

According to the statute, Title I programs are to serve the "special educational needs of educationally deprived children." Failure to serve special needs or the right children has come to be known as "providing general aid." The regulation in effect during the period 1965-76 stated:

Each such project must be tailored to contribute particularly toward meeting one or more of the special educational needs of educationally deprived children and should not be designed merely to meet the needs of schools or of the student body at large in a school or in a specified grade in a school.
116.17(g)(1974).

The 1976 regulations continue the general-aid prohibition in slightly different form by requiring the SEA to be sure that the project is sufficiently concentrated on a limited number of services and target children; that it is not designed to meet, nor will have the effect of meeting, general needs; and that it will provide services only to properly

selected participants.* These amendments are generally clarifying ones, and do not change the basic concept.

As with no-supplanting, particular situations must be analyzed to give substance to the general-aid prohibition. Also, as with no-supplanting, informal rules and perceptions have developed about the allowability of certain kinds of activities. Thus the most useful grouping for analyzing the general aid findings is the situational types against which the general aid rules have been applied.

Findings

Table 11 summarizes the findings identified as involving the general-aid prohibition. The findings were sorted into four situation types, as follows:

- (1) Type of Design--Project designs identified by the reviewers as providing general aid, where proper design or implementation did not occur. (The design type may not be prohibited per se, if properly designed and implemented.)
- (2) Use of Staff--Situations where staff are serving all students in a classroom, grade, school, or district, or are not limiting their activities to target students.
- (3) Use of Equipment--Instances where equipment purchased with Title I monies serves general needs, or student populations at large. (Improper acquisitions are covered in the Construction and Equipment category.)
- (4) Lack of Concentration--Failure to concentrate Title I resources, thus resulting in the provision of general aid. (Where lack of concentration is reported, the finding is frequently nonspecific; specific failures to concentrate, as when Title I teacher serves all students in a school, are treated in the other subcategories.)[†]

* 45 CFR 116a.22(b)(5), (6), and (7)(1976).

[†] Additionally, the concentration concept is applied in other categories, such as attendance area eligibility and targeting, student selection, and program design.

Table 11
NUMBER OF STATES WITH FINDINGS
IN THE GENERAL AID CATEGORY

Subcategory	Number of States with Findings		
	1965-1969	1970-1973	1974-1976
Type of design	7	10	7
Use of staff	5	11	15
Use of equipment	5	5	1
Lack of concentration	4	3	4
Total number of states with findings	11	15	16

For all three time periods, the predominant problems were in type of design and use of staff. Table 12 presents further subdivisions of these two categories. Design problems mainly reflected the use of Title I funds for nonacademic subjects (which here include field trips and cultural enrichment activities). To the extent that instruction in nonacademic subjects is not tied to the "special educational needs of (identified) educationally deprived children," such instruction is not an allowable use of the funds.

For the use-of-staff problems, the 1970-73 and 1974-76 periods are dominated by problems related to the use of teachers aides and support staff.* For teachers, the findings show a shift from situations where teachers paid by Title I were assigned to all (including nontarget)

* Support staff here include counselors, nurses, psychologists, attendance officers, supervisors, and the like.

Table 12

KINDS OF STAFF AND TYPES OF DESIGN INVOLVED
IN GENERAL AID FINDINGS BY TIME PERIOD

<u>Use of Staff</u>	<u>Number of States with Findings</u>		
	<u>1965-1969</u>	<u>1970-1973</u>	<u>1974-1976</u>
Teachers	3	4	5
Teachers aides	3	8	10
Librarians (aides)	2	5	3
Support staff	3	6	9
Total number of states with findings in the subcategory	5	11	15
<u>Type of Design</u>			
Summer school	1	1	2
Class-size reduction	1	2	2
Media/resource center	2	3	2
Nonacademic	4	7	4
Total number of states with findings in the subcategory	7	10	7

students in a school to instances of Title I teachers serving all students in a particular grade or grade span. In 1974-76, there were instances of teachers paid by Title I engaging in activities not related to Title I. This appears to represent a change from inappropriate staff assignment to staff failure to restrict activities to properly assigned Title I duties.

The findings with regard to teachers aides and support staff show a similar trend. Aides and support staff paid by Title I were found to be assigned to all students or the whole school during 1965-69. In 1970-73 and 1974-76, most findings were that aides and support staff were being assigned to particular grades or grade spans, although still serving all class or grade members. Problems of inappropriate assignment of teachers aides and support staff continued to be reported as of the last time period.

General aid in the use of equipment ranked second and third during the first two time periods and ranked fourth during the last period. As indicated in the Construction and Equipment category (p. 65), stricter controls on the use of Title I funds for capital acquisitions seem to have been effective in minimizing violations resulting from acquisition. This greater scrutiny at the outset may have also reduced the instances of general aid use.

The findings of general lack of concentration ranked at or near the bottom over the three periods. Nonetheless, failure to concentrate is implicit in findings that, for example, too many students are being served. It appears that, in the context of the general aid prohibition, the reviewers use the concentration concept to refer to money, rather than program situations. Some findings referred to Program Guide #44, which suggested that concentration should be one-half the LEA's average per pupil expenditure. When this guideline was clarified to be a goal rather than a requirement, Federal reviewers appear to have abandoned it as a measure of compliance with the general aid prohibition.

Conclusions and Interpretations

Certain project designs have fallen out of favor because they so frequently resulted in general-aid or no-supplanting violations (particularly class size reductions, nonacademic subjects, and open enrollment summer schools). The documents indicate Federal pursuance of a policy emphasizing basic skills instruction. Additionally, encouragement has been given to SEA policies favoring designs that delimit the services and target group. The result is that the vast majority of Title I projects provide basic skills instruction in a pull-out setting. While such restrictions on project design are not a legal necessity (nor, perhaps, educationally optimal), their influence has lessened some issues of general aid compliance.

No such overall mechanism has been developed to deal with problems of general aid that entail the inappropriate use of (or activities of) Title I staff. Reviewer recommendations on problems of improper staff utilization and staff activities do not provide specific guidance; the

LEAs are generally told mainly to stop a particular assignment or, more simply, to adhere to the regulations. If specific recommendations are not apparent to the Federal reviewers, little improvement in the staff-related problems is likely from the states.

Construction and Equipment

Although Title I funds may be used for construction of facilities or purchase of equipment, the program rules require that such acquisitions be related to implementation of a Title I project. The problems involving construction and equipment are considered together because both pose similar problems, and frequently cannot be easily separated.* Although there is some overlap between this category and the "use of equipment" subcategory under general aid, the differences are important from a program management standpoint. Here we are considering the purpose and method of acquiring equipment or undertaking construction, and how the product relates to program plans. With general aid, we were concerned with the manner in which the buildings or equipment were actually used with respect to special or general educational needs.

Official attitudes toward the use of Title I money for construction and equipment have changed markedly over the history of the program. Initially, Congressional documents indicate that use of funds for construction and equipment was looked upon favorably, if not encouraged.† Early USOE regulations, however, limited construction expenditures to "exceptional cases," which were "essential to the success of the project."‡ Similarly, equipment purchases were to be "essential to the effective implementation of the project" and "fully justified."** By 1970, Congressional committee reports noted complaints of "excessive use of Title I

* e.g., portable classrooms with special instructional equipment in them.

† See 1965 U.S. Code Congressional and Administrative News, pp. 1454-56 and 1966 U.S. Code Congressional and Administrative News, p. 3846.

‡ 45 CFR 116.53(c)(11)(1966), 31 FR 4301 (March 11, 1966).

** PG44, Sec. 5.6.

funds for capital outlay purposes" and called for stronger enforcement of Title I requirements.* Thus, initial encouragement of local discretion in construction projects and equipment acquisitions changed through tightening of the applicable rules and criticism of "excessive use" of Title I funds for these purposes.

Findings

Table 13 summarizes the findings identified as involving construction and equipment. The findings were grouped into subcategories as follows:

- (1) Construction/equipment for general purpose or use unrelated to Title I--Instances where the acquisitions are not sufficiently tied to a Title I project, are to support general activities, or are found at non-Title-I schools.
- (2) Inadequate inventory records, controls, and disposal procedures--Any buildings or equipment acquired with Title I money must be kept track of while in use and disposed of when no longer needed for a project (otherwise, non-Title-I usage may result).
- (3) Inadequate LEA justification for, and SEA review of, construction/equipment requests--Given the criteria developed for capital acquisitions, special justification is to be provided by the LEAs in their applications, and close review made by the SEAs of them.

Table 13 shows decreases in all subcategories with little change in the subcategory rankings. Also, the substance of findings changed. During the 1965-69 period instances of unallowable construction frequently involved large-scale projects--classrooms, cafeterias, physical education facilities--and projects that had been planned prior to Title I. Findings during the latter period more generally involved remodeling and portable facilities. Equipment findings were more prevalent relative to those for

* 1970 U.S. Code Congressional and Administrative News, p. 2768.

Table 13

NUMBER OF STATES WITH FINDINGS
IN THE CONSTRUCTION AND EQUIPMENT CATEGORY

<u>Subcategory</u>	<u>Number of States with Findings</u>		
	<u>1965-1969</u>	<u>1970-1973</u>	<u>1974-1976</u>
Construction/equipment for general purposes or use unrelated to Title I	9	8	2
Inventory records and controls, disposal procedures inadequate	8	8	3
Inadequate LEA justifications and SEA review of construction/equipment requests	6	3	1
Total number of states with findings	15	15	7

N = 20

construction during the latter period as well. Procedures for disposal of buildings or equipment no longer in use for Title I programs were cited more frequently relative to other problem types during each of the latter two periods.

Conclusions and Interpretations

Improper use of Title I funds for construction or equipment acquisitions has received considerable attention, probably due to the size of expenditures involved (relative to other costs) and the obviousness of the product once completed and acquired. Following the initial period of Congressional and USOE disagreement over the advisability of such expenditures, the Federal attitude became stricter, requiring a higher level of justification and closer scrutiny. The sharp decline in the number of states cited indicates that this category currently presents significantly fewer problems than other funds restrictions.

VI STATE EDUCATIONAL AGENCY MANAGEMENT FUNCTIONS

Overview

The legal structure of the Title I program makes the state educational agencies primarily responsible for distribution of the funds to LEAs and for the manner in which the funds are used. To receive a Title I grant, the LEA must submit an application to the SEA--even though the amount of each LEA allocation is set by a formula. Upon receipt of the application, the SEA reviews it to be sure that it meets legal requirements and is educationally sound. The SEA must also establish a system to oversee management of the funds provided to the LEAs, and those retained for SEA administrative costs. Once projects are under way, the SEA must see that LEA projects are audited, and provide staff to monitor project implementation and development. The exercise of these functions requires that staffing and other administrative arrangements for Title I be established within the SEA.

The audit and program review findings pertaining to state management of the Title I program are of four kinds: application review and approval, auditing and monitoring, staffing and administration, and fiscal management. There are several other SEA management functions set out in the regulations (e.g., technical assistance, information dissemination, complaint resolution, use of enforcement sanctions), but the paucity of findings pertaining to these functions precluded their separate treatment in this study. In some instances, these latter functions are touched upon within the four categories being analyzed.

The documents indicate that the Federal reviewers consider the exercise of SEA management functions to be critical to the proper design and execution of local Title I programs. The application review and approval process is the initial method of identifying program plans that violate Federal regulations or that may not involve educationally effective

approaches. Once the programs begin, the SEA on-site visits (either for auditing or for monitoring) make it possible to assure that implementation is following the approved design. The SEA fiscal management systems are necessary both to assure that funds are being properly spent and to satisfy the various fiscal reporting requirements for Title I. Although local school officials are the on-site managers of local programs, the SEA is responsible for managing the managers.

Application Review and Approval

Under Title I the SEA is the primary grantee and the LEAs are subgrantees. Thus LEAs must submit applications for Title I funds to the SEA for its approval. In approving applications, the SEA is to look for both compliance and quality. The statute says that the SEA is to determine whether LEA applications describe projects of "sufficient size, scope, and quality to give reasonable promise of substantial progress toward meeting" the special educational needs of educationally deprived children.* The SEA must be able to provide USOE with a written assurance that LEA applications approved by it comply with Title I law, regulations, and the Commissioner's "basic criteria" (eligibility and targeting, program design, and funds restrictions).

SEAs devise their own application forms. Given the many Title I requirements, USOE has urged SEAs to use a review checklist and to provide detailed instructions to the LEAs for filling out the applications to assure compliance and quality. As Title I requirements evolve or are changed, these forms must also change. What has remained unchanged over time, however, is the necessity for SEAs to review the year's applications to determine whether the programs proposed by the LEAs are in compliance with the law.

* 20 USC241E(a)(1)(1977).

Findings

Table 14 shows the number of states with findings that involved the SEA's application review and approval function. The findings are grouped into seven subcategories which have self-explanatory titles. Nearly all of the 20 states in our sample received some kind of finding in the SEA application review and approval category for each of the three time periods (18 states in 1965-69, 20 states in 1970-73, and 19 states in 1974-76).

For all three time periods, the two most frequently cited problems were insufficient information in the application and inadequate review procedures. The two problems that ranked lowest were inadequate staffing and late applications in 1965-69, inadequate instructions to LEAs and funding prior to approval in 1970-73, and late applications and inadequate instructions in 1974-76. In several of the subcategories, the substance of the findings reveals more than the number of states with findings. These are elaborated upon below.

Approval of Noncomplying or Deficient Applications

Since the major purpose of application review is to assure that the proposed LEA program will comply with Title I rules and be of sufficient quality "to assure reasonable promise of substantial progress" in meeting the needs of identified children, approval of applications not meeting these requirements is a serious shortcoming in the state's management responsibilities. This finding appears to be made by reviewers where the noncompliant or deficient element of the application was ascertainable merely by reading the application, i.e., no further investigation was required to establish the deficiency. While the distinction between "non-compliant" and "deficient" is not always clear, the difference seems to be a matter of degree. In some cases the documents use noncompliant to refer to funds restrictions or allocation rules (e.g., no-supplanting, or targeting), and deficient to refer to program design areas.

When an SEA obtains information showing noncompliance or a deficiency, but still approves the application, exercise of the entire SEA responsibility

Table 14

NUMBER OF STATES WITH FINDINGS IN THE SEA APPLICATION
REVIEW AND APPROVAL CATEGORY

Subcategory	Number of States with Findings		
	1965-69	1970-73	1974-76
1. Approval of noncomplying or deficient applications	6	6	5
2. Review procedures absent or inadequate	11	13	8
3. Staffing inadequate for application review function	-	5	1
4. Applications submitted too late for adequate SEA review	-	7	3
5. Inadequate instruction to LEAs for completing applications	2	2	3
6. Projects funded prior to approval of applications	1	3	4
7. Information in application insufficient for adequate review	8	17	15
Total number of states with findings	18	20	19

N = 20

in this areas is called into question. However, only one state received findings in this subcategory for all three time periods. The types of noncompliance or deficiencies that were overlooked are not easily ascertained from the documents.

Establishment and Adequacy of Review Procedures

In the early years Federal reviewers called on states to establish procedures for reviewing applications because of the many items included. Once the procedures were established, the findings turned to the adequacy of the procedures. As of 1970-73, no states were found to be without some procedures for application review, and the 1974-76 findings are concerned with the overall adequacy of the review procedures, plus the quality of the review in specified areas.

Among the specific findings involved were instances of states with general inadequacies in application review procedures (4 states during 1965-69, 5 during 1970-73, and 2 during 1974-76), and instances where review procedures had been established but not fully implemented (6 states during 1970-73, down to 2 states in 1974-76). Also included in this subcategory were instances of inadequate review for compliance with funds restrictions (e.g., general aid, no-supplanting, equipment), found in 6 states during each of the first two periods and 2 states during 1974-76.

Although 8 states received negative findings for this problem area during 1974-76, there is no consistent pattern to the specific findings. In fact (although not shown on Table 14), the reviewers also reported improvements or adjudged procedures to be generally adequate in 10 states during each of 1970-73 and 1974-76.

Funding of Projects Prior to SEA Approval

LEAs are not eligible to receive Title I funds until their applications have been approved by the SEA. However, the time required for the review may not always conform to the school-year schedule, so that

applications may not have been approved by the time the LEA is to start the Title I project. Among the 4 states with findings in this area during 1974-76, 3 were found to be funding projects prior to "formal" approval on the basis of "conditional" approval. The Federal reviewers instructed these states to postpone funding projects until formal approval had been made.

Insufficient Information in Applications

The findings from the data indicate that the SEA application review and approval function has developed into a major control device for assuring the compliance and quality of Title I programs. Accordingly, the quality and quantity of information provided in applications has become increasingly important to the Federal reviewers. The documents indicate that in most cases, the findings were based on the amount and type of data required by the SEA; not on failure of the LEA to provide requested data. Specifically, the vast majority of findings pertained to insufficient information vis-a-vis specific program elements. Table 15 provides a breakdown of these elements.

During 1965-69, the auditors provided more detail for only 4 of the 8 states cited for insufficient information, hence ranking the elements is difficult. During both the 1970-73 and 1974-76 periods, the most frequent area with insufficient information was needs assessment, followed by lack of information on program content or quality. During 1974-76, 5 states were specifically reported as showing improvement in information provided on specific program elements. Of these, however, 4 had problems reported for the same element indicating that even with improvement the information was less than the ideal envisaged by the reviewers.

Conclusions and Interpretations

Findings indicating a failure to establish procedures have declined substantially, and 10 of the sample states received positive findings regarding procedures for the last period. For 1974-76, the most frequently cited procedural problem involved only 3 states and had to do with the

Table 15

TYPES OF INFORMATION FOUND TO BE INSUFFICIENT
IN APPLICATIONS BY TIME PERIOD

<u>Subcategory</u>	<u>Number of States with Findings</u>		
	<u>1965-69</u>	<u>1970-73</u>	<u>1974-76</u>
Insufficient information for adequate review of specific program elements:	8	15	15
Needs assessment	--	12	14
Program content/quality	1	7	10
Performance objectives	1	7	6
Evaluation	--	6	5
Targeting	2	6	9
Student selection	1	6	7
Parent involvement	--	6	7
Participation of private school children	--	5	6
Other/unspecified	4	--	--

adequacy and use of review checklists rather than the more basic procedural issues of the earlier periods. Staffing for the review function and instructions to LEAs have not been major reported problems. While the most serious problem--approval of noncompliant or deficient applications--was reported for 5 of the 20 states during 1974-76, problems of this type were not reported for most states in the sample. Thus, while reviewers are identifying procedures in need of fine tuning, nearly all states have now established sufficient procedures to avoid findings of overall inadequacy.

The most widespread problem in the application review and approval category is one of insufficient information provided in applications to allow adequate review of the kind required of the SEAs. The audit and program review documents from which the findings were taken indicate that the Federal reviewers have turned more to qualitative areas (and thus qualitative kinds of information) and are identifying fewer deficiencies in the provision of such quantitative information as low-income figures, test scores, counts of staff or of parents on PACs. This shift is reflected in the finding that 10 states had insufficient information on program content or quality during the last period.

This pattern of increasing demand for qualitative data in applications is of particular concern because of the costs that it creates. This demand makes the application forms longer and more complex. In one state, the Federal reviewers in two succeeding years first asked for more data and then complained that the form was too cumbersome. Qualitative information may not only take longer to develop than quantitative, but may be harder to adequately reduce to items on applications. Also, increased manpower must be devoted to assess qualitative data in the application form, a factor raising serious staff allocation dilemmas particularly when on-site reviews by SEA personnel are also required.

While the application review and approval process is an important tool in the exercise of the SEA management function, it is not the only tool. The reviewers' recommendations for more qualitative information in applications should be compared with similar recommendations in the monitoring area.

Monitoring and Auditing

An SEA cannot determine at the application review stage whether the LEAs are, in fact, doing what they propose. Therefore, state level monitoring and auditing are necessary to enable the SEA to determine whether implementation matches design.

While both have a similar purpose--to see what is really happening at the project level--auditing and monitoring approach the task from different perspectives. Monitoring focuses on compliance with program requirements, and how well the project operation matches its application. Monitoring also looks at how well the project is operating and the educational value of the activities. Federal rules call for "continuous monitoring," and the Title I guidelines say that monitoring visits should be made according to a written "plan and schedule." Auditing emphasizes compliance with fiscal requirements and the program, although the state auditors are also required to check for adherence to the program requirements and the reasonableness of expenditures during the audit. Federal rules require that auditing be done annually, if possible, but not less than biennially. The auditing may be performed by state agency personnel or by accountants (CPAs) retained by the LEA. In the latter case, the SEA must provide audit standards and training to be sure the CPAs check compliance as well as fiscal integrity.

The findings for monitoring and auditing are first discussed separately, then the findings are compared for both of these SEA functions. The similarity of auditing and monitoring purposes made possible the use of the same subcategory groupings. For both auditing and monitoring, the findings were classified into five subcategories:

- (1) Frequency--How often does the SEA actually visit the LEA to audit and monitor it?
- (2) Scope--Were state auditing and monitoring sufficiently comprehensive?

- (3) Auditing and Monitoring Review and Follow-up--Once findings are made by state or local personnel, does the SEA analyze these findings and take any necessary corrective action?
- (4) Procedures--Has the SEA established criteria and procedures for auditing and monitoring and scheduled visits appropriately?
- (5) Staffing Arrangements--Are enough staff provided for the auditing and monitoring functions? Are they sufficiently trained?

Because organizational problems were peculiar to the auditing function, this was added as a sixth subcategory under auditing only. Although these subcategories are presented as discrete problem areas, they are often interrelated. For example, infrequent visits may imply staffing problems, and sufficient scope may be of little value without review and follow-up. These interrelationships are discussed at the end of this section.

Audit Findings

Table 16 shows the number of states with findings in each of the six SEA auditing subcategories. The first three--frequency, scope, and review and follow-up of the audit--can be viewed as reflecting the thoroughness of SEA auditing. The last three--procedures, staffing arrangements, and organization--may be thought of as organizational prerequisites for fulfilling the SEA auditing responsibilities.

Across all six subcategories, the most dominant problem changes from inadequate frequency of auditing in 1965-69 to inadequate review and follow-up in 1974-76. The findings in the latter case primarily involved SEA failure to take action on the findings made by state auditors. Having concentrated on establishing audit procedures and schedules, Federal reviewer interest in follow-up appears to represent an attempt to complete the state audit system by formalizing the use of state audit reports.

Table 16

NUMBER OF STATES WITH FINDINGS IN THE STATE
AUDITING CATEGORY

Subcategory	Number of States with Findings		
	1965-69	1970-73	1974-76
1. Inadequate frequency of auditing	11	7	6
2. Inadequate scope of auditing	7	5	6
3. Inadequate review and follow-up of auditing findings	5	7	8
4. Inadequate auditing procedures	5	7	2
5. Inadequate staffing arrangements for audit function	2	4	3
6. Organizational problems in establishment of audit function	5	1	--
Total number of states with findings	16	15	12

N = 20

The lowest ranked subcategories in all three time periods concern organizational arrangements rather than thoroughness: inadequate staffing in 1965-69 and organizational problems in establishment of audit function in both 1970-73 and 1974-76. All the instances of organizational problems involved cases in which no state staff were capable of performing audits or in which the state auditing office was separate from the SEA leading to jurisdictional disputes (when the SEA, pursuant to Title I rules attempted to provide direction to the state auditors in making compliance checks). These problems were initially quite severe but appear to have been worked out by 1974-76 during which no states were cited for such problems. Regarding problems in inadequate staffing, for the first two periods all such problems involved the number of persons assigned; during 1974-76 three states were cited for not training the auditors sufficiently. Additionally, several states were cited for improvements in audit procedures--6 states during 1970-73 and 2 during 1974-76.

Monitoring Findings

Table 17 contains the numbers of states with findings under the SEA monitoring function. In all three time periods, inadequate scope of monitoring was cited most frequently. Initially these findings concerned checks for compliance but in later years states tended to be cited mainly for inadequately checking on program development and fidelity to the approved design. The final period contains findings of improvement in checks for compliance in 5 states, but problems continued in checking for program quality and the adequacy of specific program design features such as parent involvement, student selection, and needs assessment.

Beyond problems of scope, the rankings of the subcategories remain the same for the first and last time periods with inadequate frequency ranking second and inadequate procedures having the fewest citations.

Conclusions and Interpretations

For both auditing and monitoring, the most frequent problems tended to arise in areas of thoroughness rather than organization. In the area of auditing, however, the most frequent problem vis-a-vis thoroughness

Table 17

NUMBER OF STATES WITH FINDINGS IN THE STATE
MONITORING CATEGORY

Subcategory	Number of States with Findings		
	1965-69	1970-73	1974-76
1. Inadequate frequency of monitoring	6	6	6
2. Inadequate scope of monitoring	7	9	10
3. Inadequate review and follow-up of monitoring findings	3	8	4
4. Inadequate procedures for monitoring	1	8	3
5. Inadequate staffing arrangements for monitoring function	3	8	4
Total number of states with findings	10	19	20

N = 20

changed from that of inadequate frequency to inadequate review and follow-up, while inadequate scope remained the most frequent problem in monitoring.

Looking beyond the numbers a reading of the documents involved over the three time periods indicates a movement toward increasing distinction between the auditing and monitoring functions. Activities directed toward establishing the organizational prerequisites for both monitoring and auditing involved similar reviewer recommendations and required similar SEA modifications in prior practice. However, findings pertaining to the thoroughness of the reviews (scope, frequency, follow-up) show a divergence in the purposes of the two functions. With auditing, the movement has been from simply making checks on fiscal integrity of projects to reviews of the appropriateness of expenditures (otherwise referred to as compliance checks). With monitoring, the movement has been from basic compliance checks, to reviewing the content and quality of project operations. In this regard, the monitoring findings parallel Federal reviewer concerns about information in applications for SEA review and approval.

Problems noted with respect to the frequency of auditing and monitoring visits persist. Again, these findings should be compared with those in the application review and approval category, where problems of staffing declined relative to other problems. This is a further indication of the reliance on application review as a control device that affects staffing allocations and may well have contributed to the frequency problems encountered in the on-site review categories.

Review and follow-up of the findings from auditing and monitoring have increased in significance during the latter periods among our sample states. Attention being paid to this area by Federal reviewers may be seen as a positive development to the extent that it implies that the data produced do, in fact, have value for SEA use in compliance and program improvement activity. The number of states cited for deficiencies in this area, however, shows that continued attention to the on-site review functions is warranted.

Staffing and Administration

During the period of this study, 1% (or \$150,000, whichever is larger) of the amount allocated to the state for Title I, was set aside to pay for the SEA management functions performed under Title I. The Federal auditors and reviewers have examined SEA staffing and administration from different perspectives. The auditors tend to look at how the state administration funds are used and whether staff paid by Title I are in fact working on Title I. The USOE program reviewers place greater emphasis on managerial effectiveness including, for example, the merits of the SEA's organizational structure for running the program.

To better understand the findings in this category, it is useful to have a sense of the different SEA organizational arrangements for Title I. The information in audits and program reviews indicates that SEAs have organized in one of the following ways:

- Title I duties spread by function through the established SEA structure, e.g., the fiscal office, the instructional office.
- Separate Title I office and staff dealing with grant distribution and management, as well as program operations and content.
- Consolidated administrative structure in which persons and offices responsible for Title I may also administer a state program or other Federal programs.

The first type appears to have been more prevalent in 1965-69, with the second type gaining in 1970-73. A few states in the sample began experimenting with the third type during the last two pweriods.

Findings

Table 18 shows the number of states with findings concerning SEA staffing for, and administration of, Title I. The findings were grouped into four subcategories which are self-explanatory.

Table 18

NUMBER OF STATES WITH FINDINGS IN SEA STAFFING
AND ADMINISTRATION CATEGORY

Subcategory	Number of States with Findings		
	1965-69	1970-73	1974-76
1. Activities/expenses unrelated or not directly related to Title I	7	5	3
2. Inadequate/ineffective allocating of staff to Title I functions	5	16	8
3. Inadequate/ineffective organization structure for Title I; reorganization problems	--	9	4
4. Problems regarding coordination with other programs	--	4	2
Total Number of States with Findings	11	20	16

(N = 20)

In 1965-1969, findings were greatest in the subcategory "activities/ expenses unrelated or not directly related to Title I," with 7 states cited. This subcategory concerns the manner in which the SEA's administrative set-aside is used. Examples of these problems are the use of Title I monies for general administration or administration of other programs, and staff who are fully paid out of Title I having duties not related to Title I. The number of states cited for this subcategory declined relative to other problem areas during the last two periods of the program. Of the 3 states cited during 1974-1976 for misuse of state administration funds, 2 were administering Title I and state compensatory programs out of the same office. The reviewers said that Title I was bearing a disproportionate share of the administrative costs.

The subcategory "inadequate or ineffective allocation of staff time to Title I functions" includes problems related to the number of staff, amount of staff time, and the way the time is used. This problem was predominant in both 1970-73 and 1974-76, perhaps reflecting Federal reviewer encouragement of separate Title I offices and staffs in the SEAs (the second type of organization noted above). This, in turn, was related to Federal reviewer perceptions that too much of the SEA's allocation was going to salaries of subject-matter specialists while other functions such as monitoring and application review were receiving inadequate attention. For 1974-76, two main reasons for staff allocation problems were cited: insufficient numbers of staff had been assigned to Title I functions; and a number of states had unfilled positions in the Title I office.

Findings were made in the subcategory "inadequate/ineffective organization structures for Title I; reorganization problems" ranked second in frequency for both 1970-73 and 1974-76. During 1970-73, according to the reviewers, separation of fiscal, administrative, and instructional functions either made the Title I administration too diffuse, or gave too much attention to some aspect, e.g., fiscal matters in one state, subject-matter specialists in another. During the same period, some states were commended for creating a separate Title I office to bring other program

staff and functions under a single roof. During 1974-76, functional reorganizations were viewed with suspicion in the 4 states cited, since the auditors felt the Title I program was not being given distinct attention within the SEA.

Although the fewest findings were made in the subcategory "problems regarding coordination with other programs," the findings that were made show the dilemma SEAs face in assuring that proper attention is given Title I while preventing it from being isolated from the rest of the SEA. Of 4 states cited during 1970-73, the Federal reviewers determined that Title I was too isolated from the rest of the SEA in one state, and inadequately coordinated with ESEA Title III in 2 other states. During 1974-76, the 2 states cited had staff who were responsible for state compensatory education programs that interfered with their giving "highest priority to critical Title I functions."

Conclusions and Interpretations

In this category, reviewers' concern about spreading state administration funds too thin has resulted in recommendations for more staff on Title I-only functions, and development of "Title I specialists," i.e., persons with expertise in the rules and practices of Title I programs devoting full time to the program. With the increase in the number of other categorical programs, a few states began creating "categorical program" (versus "Title I") specialists, thus combining the concept of separate staff with that of functional organization.

Organizational changes by the SEA to make the administration of all categorical programs more efficient have frequently conflicted with the Federal reviewers' perception of proper Title I administration. In more extreme cases, Title I administration funds have been seen as picking up a disproportionate share of the costs of administering other categorical program. When confronted with a state trying to reorganize along

consolidated lines, the reviewers have found much to criticize and the incentive to maintain separate staffs has been strong.*

Duplication of staff can result from the requirement that persons whose salaries are paid by a particular grant program must work only on that program to avoid charges of misuse or commingling of funds. As long as Federal programs are administered from individual set-aside provisions, there will continue to be a tension between separation of funds and the need for coordination among categorical programs.

The three types of SEA Title I organization represent to some extent the trends in the way Title I has been administered by SEAs over time: the distributed type was more prevalent during 1965-69, the isolated type during 1970-73, and the consolidated type began appearing in a few states during 1974-76. The issues raised by a change from Title I specialists to categorical program specialists are profound and represent a major challenge to the current ways Federal reviewers see Title I staffing and administration. Since the pattern has so far emerged in only a few states, and Title I specialists still form the dominant pattern, there is time for USOE and the SEAs to address this issue creatively.

Fiscal Management

Fiscal management covers the receipt, accounting for, and use of Title I monies by both the SEA and LEAs. The HEWAA Audit Guide says that the primary consideration in evaluating an LEA's financial controls should be whether the use of Title I funds can readily be identified as related to, and necessary for, implementing approved projects and whether procurements were made in an economical manner. SEA accounting systems must be capable of assuring that proper control is exercised over the LEAs, as well as over the SEA's own Title I monies. LEA systems must retain the identifiability of Title I funds and assure their efficient use.

*This pertains also to the impression conveyed by the documents that the preeminence of Title I programs over other categorical programs is to be maintained. This preeminence notion is calculated to assure "visibility" and thus appropriate attention to a given program. Size alone has given Title I some advantage in this regard.

Fiscal management for Title I may be thought of as following rules of "separateness" and "reasonableness." The requirement of separateness concerns the ability to trace Federal dollars down the educational system as far as possible. Although all states had some kind of accounting system before Title I, tracing dollars by their intended use (via specific Title I projects) was a new and difficult task for SEAs. The requirement of reasonableness went beyond the idea of avoiding extravagance to encompass an expenditure's appropriateness to the implementation of the project. Combined, the two requirements demanded a sizable and immediate sophistication of state and local accounting systems when Title I began.

Findings

Since a principal source of information for program auditors and reviewers is the record kept by grantees, a primary goal of the auditing effort during the early years of the program was to make sure that the SEA and LEA accounting systems could provide the needed information. The findings summarized in Table 19 regarding fiscal management are divisible into eight subcategories. The first reflects general conclusions about the adequacy of SEA or LEA accounting systems. The remaining seven delineate particular types of problems with fiscal control systems.

For 1965-69, the auditors concluded that 9 states had problems in the overall adequacy of SEA fiscal management. This general category was the predominant problem for this period. No negative conclusions of this type were reported in the audits and program reviews for 1970-73 or 1974-76. In fact, 4 states in 1970-73 and 8 in 1974-76 were specifically found to have improved in overall quality of SEA fiscal management.

Findings in the specific fiscal management subcategories represent a clear pattern of improvement and resolution of problems insofar as several of the specific problems were absent in the later time periods. In 1970-73 no problems were found for inadequate LEA control systems or inaccurate fiscal reports. Similarly, for 1974-76 no problems were cited for untimely incurring of obligation. Changes in the regulations

Table 19

NUMBER OF STATES WITH FINDINGS IN THE
FISCAL MANAGEMENT CATEGORY

Subcategory	Number of States with Findings		
	1965-69	1970-73	1974-76
Inadequate SEA accounting and fiscal control systems	9	--	--
Improper use of state administrative funds	8	7	4
Cash advance, procedure, and control problems	8	5	1
Inadequate LEA accounting and fiscal control systems	6	--	2
Obligations not made within grant period	5	2	--
Commingling/failure to separate Title I accounts	5	3	2
Inaccurate fiscal reports	4	--	--
Problems with support for and reporting of costs	4	2	--
Total Number of States with Findings	19	18	7

which gave program officials 2 years in which to obligate program funds may explain the disappearance of problems in this subcategory. Improper use of state administrative funds remained as the most frequently cited problem through all three time periods. However, the findings in the latter periods pertained more to documentation and control of costs than to improper expenditures as such.

Conclusions and Interpretations

Establishment and improvement of fiscal management systems involves areas traditionally familiar to auditors. Additionally, the information required for the auditing function is drawn heavily from the fiscal records of SEAs and LEAs. This observation may explain the large number of findings in this category during the earlier years of the program, and the decline in such findings during the later years. This category appears to represent an area of continued improvement in a pattern akin to that of a normal learning curve.

The only significant emerging problem suggested by the data involves what may be termed the "new commingling," i.e., situations where the coordinated use of different categorical monies makes it difficult for the auditor to separate activities attributable to each. This represents a qualitative change from early problems of commingling, which involved cases where program monies were simply deposited into the general fund, thereby becoming untraceable. Although this problem was identified in only 2 states during the 1974-76 period, the prospects for increasing difficulties of this type are considerable in light of the increase in the number of Federal and state categorical programs in which LEAs are beginning to participate.

VII SUMMARY AND CONCLUSIONS

The preceding chapters have presented the findings for each of 15 categories of Title I management problems, grouped under four headings: eligibility and targeting, program development, funds restrictions, and SEA management functions. For each of these four areas, we discussed separately each problem category subsumed under the heading. In this chapter, we draw together this information to address the two primary questions of the study: What are the trends in Title I management problems since 1965? What are currently the most pressing management problems?

To do this, we have organized this chapter in the following manner. First, we present a summary of the findings by chapter heading in order to emphasize how these classes of problems have changed over time, their current status, and the important remaining issues. Second, we look across categories to provide a view of their relative magnitudes and the general themes of the audits and program reviews exhibited over time. From this we draw conclusions about overall trends in the management of Title I. Finally, we address the implications of the information and analysis contained in the report for several persisting problem areas.

Summaries of Findings by Problem Area

In the body of the report, we presented findings separately for each of 15 problem categories, grouped under eligibility and targeting, program development, funds restrictions, and SEA management functions. In this section, we consider the findings of the category groups together and present a summary of the salient findings concerning particular categories.

Eligibility and Targeting

The numbers of states with findings in each of the three categories under eligibility and targeting among our twenty-state sample are:

	<u>1965-69</u>	<u>1970-73</u>	<u>1974-76</u>
Attendance areas	11	18	18
Student eligibility	10	17	13
Private schools	2	18	16

In general, the findings across categories for eligibility and targeting show an increase in dominance of problems concerned with private schools since the first time period and a continuation of problems in all three categories. We attribute the former effect in part to a lack of attention paid to the issue of private schools from 1965-1969.

In the category of attendance area eligibility and targeting, the most serious problem--serving ineligible areas--was top ranked for 1965-69. During the two later time periods, however, this was the lowest ranked of the four subcategories. During the last period, data problems ranked highest. These changes represent a shift from issues of "what" was to be done to those of "how" to do it. Thus, although the more blatant type of problem declined in rank, other more technical types of problems persisted.

For student eligibility and targeting, findings that services were being provided to large numbers of ineligible students were the lowest ranked of the subcategories for all three periods. Other problems persist; highest ranked in 1965-69 and 1974-76 was the use of improper selection criteria. Within this grouping, the biggest problem during the 1970-73 and 1974-76 periods was use of criteria that resulted in selecting students at or near grade level in achievement. This finding suggests continuing tension between the "greatest need" requirement and retention of students in the program.

The participation of private school students apparently received little attention during the first time period of the program, but during the two later periods three problems predominate: work relationships between public and private school personnel, technical issues (targeting and needs assessments), and the delivery of services. These findings appear to show that both the public and private staffs lack information on how to comply. Specifically, the appropriate manner of including

private school participants in the needs assessment and the operational meaning of "comparable services" remain open questions.

Overall the trend has been toward reduction in the more basic or blatant problems as regards attendance area and student selection, with persisting problems of a more technical nature. For the private school category, however, more basic problems apparently remain unresolved.

Program Development

The numbers of states with findings in the two categories under program development are:

	<u>1965-69</u>	<u>1970-73</u>	<u>1974-76</u>
Program design	11	20	20
Parent involvement	1	19	20

Findings in these categories appeared for virtually all the 20 states in our sample over the last two periods. Parent involvement was apparently not an issue in 1965-69 but rapidly became a significant one and remains so.

In the program design category (which involves problems pertaining to needs assessment, performance objectives, concentration, and evaluation), the needs assessment and evaluation problems have predominated since 1970. There has, however, been a change in the substance of these problems from the 1965-69 period when assessments were not being done at all or not being documented. In the later periods, specific technical problems were reported, e.g., lack of objective data, restricted scope of assessments, and various problems with evaluation practices.

For parent involvement, an important factor was the change in rules during the middle period to require the existence of a parent advisory council (PAC). The lack of specific guidelines for parent involvement during the first period may explain why this category seems to have been relatively ignored by the reviewers during 1965-69. During the 1970-73 period, problems in the quality and extent of parent involvement predominated, while during 1974-76 these problems and that of inadequate

training of parents for their function shared the highest rank among problem types. Thus, although failure to provide for parent involvement (by setting up PACs) has assumed relatively less prominence, the issues of effective involvement and preparation of parents to assume that role persist.

These categories are more closely tied to matters traditionally educational rather than administrative or legal than are, e.g., the funds restrictions. The creation of rules for program development and securing effective compliance with these rules have, nonetheless, proven to be very difficult management problems.

Funds Restrictions

The following tabulation summarizes the numbers of states with findings across the five categories subsumed under funds restrictions.*

	<u>1965-69</u>	<u>1970-73</u>	<u>1974-76</u>
Maintenance of effort	1	3	3
Comparability	--	17	21
No-supplanting	13	14	11
General aid	11	15	16
Construction and equipment	15	15	7

So few findings were available in the maintenance of effort category that subcategories could not be developed. This category is more likely to be a problem in the future, however, because the conditions that aided in naturally maintaining effort (inflation plus increasing enrollments) have given way to new conditions (decreasing enrollments, LEA spending reductions) likely to make maintenance of effort more difficult. In addition, the rules pertaining to waivers of this requirement may themselves create new management problems.

* We have included comparability but remind the reader that this category did not exist during the first time period and that the numbers of findings are based on a sample of 23 rather than 20 states.

For comparability, data were available only for the two later periods covered by this study. During 1970-73, reviewer identification of non-comparable LEAs was the highest-ranked problem type. This remained a problem during 1974-76, but was not as highly ranked as LEA data problems and findings of insufficient SEA checks on the information used to complete comparability reports. LEA data problems included improper calculations concerning which staff and which state programs to include. These problems persist, and the documents we reviewed suggested some suspicion that manipulations of the data to reflect comparability have occurred.

Problems in the no-supplanting category persist. The absence of clear criteria for achieving and maintaining compliance with this rule has been a major factor. The subcategory rankings did not substantially change over the three periods, but within some subcategories the types of violations reported seem to have been less blatant over time. Issues today are less at the level of general system/school problems and much more children-, staff-, and class-particular in nature. The rise of pull-out project designs appears to have played a major role in reducing the scope of violations, while raising new issues regarding the relationship of Title I activities to those of the general program. Also, issues involving areas where Title I overlaps with other state or Federal categorical programs and civil rights or program mandates (services required by law) are emerging.

The general aid category has undergone a similar change over the three periods. Problems pertaining to type of design and use of staff were the most frequently cited for all periods, although the nature of the problems has changed. Project designs that facilitate the identification of participating children and special activities have lessened the broader types of problems (e.g., class size reductions, instruction in nonacademic subjects giving rise to general aid). The trickier issues involve those of staff assignment and utilization; these problems have yet to be met with a comprehensive solution.

The construction and equipment category was uniquely characterized by a significant decline in number of states with findings over the three time periods. Tighter rules, stricter scrutiny, and the relatively

greater ease with which violations can be identified (as compared with, say, the activities of a staff member) have combined to remove this category from the list of those with continuing major problems.

SEA Management Functions

The following tabulation summarizes the numbers of states with findings for each category concerned with SEA management functions:

	<u>1965-69</u>	<u>1970-73</u>	<u>1974-76</u>
Application review	18	20	19
Auditing	16	15	12
Monitoring	10	19	20
Staffing	11	20	16
Fiscal management	19	18	15

In the SEA application review and approval category, the findings indicate that procedures for satisfying this responsibility have been established and that current issues pertain to their adequacy and quality. No gross problem is apparent (such as routine approval of noncomplying applications), but continuing issues of the nature and extent of information in applications exist. More information is being recommended by the reviewers in the areas of needs assessments and the content of projects--the latter including some information from which judgments about the potential quality of the project are intended to be made. A tension between Federal requests for more information and SEA/LEA burdens of producing and assimilating it meaningfully is evidenced by the findings in this category.

For SEA auditing and monitoring, the functions, although designed to accomplish similar objectives, have taken divergent paths. In auditing, organizational issues in making the auditing function routine have become less prominent than those pertaining to thoroughness. Problems pertaining to the frequency and scope of auditing persist. Scope problems, however, have become narrower and more specific over time. For monitoring, problems of insufficient scope have been predominant, although the substance of these findings has changed. In contrast with an initial concern that

monitoring concentrate on basic compliance areas, later findings stress monitoring of program development and fidelity to design (quality considerations).

In comparing the findings for auditing and monitoring, there appears to be a movement toward increasing the distinction between the two functions--auditing tending more toward fiscal and basic compliance matters, monitoring toward the more subjective aspects of program development and quality.

Staffing and administration problems have moved from concerns regarding expenditures of state administration funds for activities unrelated to the program to those regarding the allocation and assignment of staff for program supervision. Federal reviewers have encouraged the separation of Title I offices and staff from the rest of the SEA, and have closely scrutinized the efforts of some SEAs to effect functional reorganizations or consolidations that include Title I state-level staff.

In the fiscal management category, early findings pointed to general inadequacies in fiscal control systems, and the review documents were designed to begin the process of upgrading and refining them. In this area Federal auditors seem to have been best able to make specific recommendations for change, which have contributed to an overall decrease in the severity of problems in this category.

Overall, the findings for SEA management functions show substantial progress in establishing the organizational prerequisites considered necessary to manage the state programs as contemplated by the Federal reviewers. Problems persist, but they are in the nature of expanding the responsibilities and scope of SEA-level management.

Trends in Title I Management Problems Across All Categories

We have emphasized throughout the report that the data base does not permit strong inferences concerning the relative magnitudes of problem areas and their relationships over time. Hence we have scrupulously avoided any direct numerical comparisons across time periods.* However,

* As noted on page 16, Chapter II, a couple of exceptions were made to this rule in cases where the change was so marked as to suggest an interpretation.

within each time period inferences concerning the relative importance of problem categories are possible. These types of comparisons formed the basis of the within-category analyses presented in Chapters III-VI and summarized above.

To interpret general trends over time, we performed an analogous analysis across all 15 categories. To compare findings across the time periods we have used the total numbers of states with findings in each category. Each problem category was ranked as high, medium, or low within each time period. The ranks are based on the numbers of states with findings for each category using natural break points within each time period. (This procedure is elaborated upon in Appendix A.) This allows us to compare problem categories across time periods by looking at their shifts in relative position.

Table 20 presents the results of the rankings for each time period. "A" denotes a high number of states with findings in that category, "B" medium, and "C" low. Arrows have been added for ease in noting where shifts in relative ranking have occurred. An upward arrow reflects an increase in relative prominence for a given category, a downward arrow suggests relative improvement, and no arrow means no change in relative status.

From the first to the second time period, Table 20 shows that of the 14 categories 7 increased in relative prominence, 2 decreased, and 5 did not change.* The area of funds restriction was the only one in which no category increased in rank. From the second to the third time period (of the 15 categories), 1 category increased while the other 5 categories that changed moved in the direction of decreased prominence. Across all three time periods, the construction and equipment category shows the only consistent trend, decreasing in rank between both pairs of time periods.

*The comparability requirement was separately considered by the auditors only during the latter two time periods.

Table 20

CATEGORY RANKINGS OF PROBLEM MAGNITUDE BY TIME PERIOD

	<u>1965-69</u>	<u>1970-73</u>	<u>1974-76</u>
Eligibility and Targeting			
Attendance area eligibility and targeting	B	→ A	A
Student eligibility and targeting	B	→ A	→ B
Participation of private school children	C	→ A	→ B
Program Development			
Program design	B	→ A	A
Parent involvement	C	→ A	A
Funds Restrictions			
Maintenance of effort	C	C	C
Comparability*	-	B	→ A
No-supplanting	B	B	B
General aid	B	B	B
Construction and equipment	A	→ B	→ C
SEA Management Function			
Application review and approval	A	A	A
Auditing	A	→ B	B
Monitoring	B	→ A	A
Staffing and administration	B	→ A	→ B
Fiscal management	A	A	→ C

* As noted in Appendix A, the rankings for comparability are based on figures adjusted to take account of the larger sample in that category.

Overall Trends in Title I Management

This study found that although a generally positive trend can be seen over time, the Title I management picture today is a mixed one. While early compliance problems in some areas such as construction/equipment and fiscal management have apparently been resolved, problems continue to persist in many areas. Table 21 indicates that as of the 1974-76 period, a "high" or "medium" number of findings was still being made in 12 out of 15 categories.

In many of the areas where problems continue to exist, the nature or degree of the problem has changed over time. Therefore, several important observations and qualifications need to be stated.

Within many of the categories, the nature of the findings reported showed a shift from more basic or blatant problems to those of a more procedural or technical variety. A shift from blatant to technical violations does not necessarily mean a shift from serious to not serious. Technical issues (such as inadequate data) can mask real noncompliance. Nevertheless, we interpreted this shift in the nature of the findings as an indicator of increased management proficiency, or at least a decrease in open disregard for the program rules.

Over the three periods of the study, three "themes" were apparent in the kinds of problems emphasized by the Federal reviewers. These themes roughly correspond in progression to the three time periods studied. The first we termed "making the special/general distinction." This involved defining the specifics of the Title I mandate and installing it as an identifiable part of the overall educational system. We would describe the second theme as pursuing neutral decision-making through procedures and documentation. Findings in the second time period placed great emphasis on systems, procedures, and data to inform them. The third and last theme might be characterized as emphasis on the quality of programs. The emergence of the third theme seemed to reflect reviewer appreciation of the limited utility of procedures in designing and operating programs. It also reflected an increased amount of knowledge about what "should" be done in a Title I program. New expectations and

standards were always evolving even as the old ones were met. Therefore problems persist partly because expectations have been continually rising.

In summary, although a medium to high quantity of states with findings persists in 12 categories, there have been some significant qualitative shifts in the nature of the findings which can be positively interpreted. Also, the overall pattern of change shown on Table 21 is from a predominately rising/stable mix between the first two time periods to a stable/declining mix between the second two.

Persisting Problem Areas

The following discussion presents our perceptions of a number of remaining problems we identified as being particularly difficult or important. During the final rewriting of this report, Congress passed the Education Amendments of 1978 (P.L. 95-561). Because this legislation affects some of the issues identified below, we have also included a preliminary assessment of its effects. These issues are presented and discussed by category in order of their appearance in this report.

Student Selection

A major remaining issue here pertains to the tension between the "greatest need" rule and the frequent necessity of retaining particular students in the Title I program. Prior to the 1976 regulations, only those students determined to be in "greatest need of assistance" were to be selected for participation. The 1976 changes allowed a child to participate in a subsequent year--even though no longer in "greatest need"--if the child was still performing below a normal level. The 1978 Amendments not only adopt this rule but also contain language requiring LEAS to consider the extent to which achievement gains are being sustained. Thus, within the context of limited resources a need exists to examine the appropriate mix between serving those in greatest need and reinforcing the gains made by "successful" Title I participants.

Private Schools

The two primary issues in this category are the nature of the working relationship between public and private school staffs and the operational meaning of "comparable services." The latter issue was addressed in the 1978 Amendments by the provision of examples of the types of services that may be appropriately extended to children attending private schools and by the requirement for equivalence in expenditures between public and private school programs, taking into consideration the number of children and their respective needs. The issue of the relationship between public and private school staffs is not specifically treated in the new law. It should be noted, however, that as the bypass provision becomes a more familiar feature of Title I, the incentives for private school officials to cooperate with their public school counterparts may diminish. If this happens, attention might be given to incentives for public-private cooperation.

Parent Involvement

The persisting issues here are the effectiveness of parents' involvement in programs, the extent (or lack of) training for parents to assume that role, and ambiguities about the powers of parent advisory councils. The 1978 Amendments address the first two issues by requiring the Commissioner to run regional workshops to help LEA personnel work more effectively with parents, and by requiring LEAs to mount training programs for parents to improve the quality of their participation. The question of the powers of parent councils remains an open one not treated in the new law. One interesting provision, however, requires the parent council to approve the plan of a school exercising the school-wide project option (available to schools with 75% or more low-income children). This specification of council powers in a limited case may help in assessing the advisability of an expanded role for councils generally.

Comparability

The findings suggest continued problems for both LEAs and SEAs in implementing the comparability requirement. Instances of noncomparability

still rank high enough to cause concern. Additionally, improper inclusions/exclusions and inadequate data may mask more serious problems. SEAs do not appear anxious to assume an active enforcement role in this area, particularly given the severity of the available sanction--funding cut-offs. The problems in the comparability category are fundamental and simple solutions are not obvious. The 1978 Amendments mandated a comprehensive study of the comparability area.

No-Supplanting and General Aid

In both these categories, the persistent problems involve lack of clarity about interpretations of the rules and their application to particular situations. In the 1978 Amendments, Congress directed USOE to prepare a detailed policy manual for the program to help clarify the various requirements. The manual is to contain, among other things, summaries of advisory opinions, final audit determinations, and specific examples of the application of legal requirements. This first available compilation of Title I case law should be particularly useful in the area of funds restrictions, where the rules have been phrased in general language and little is known about which practices are (or are not) allowable and how one goes about assuring compliance.

SEA Application Review and Approval

The findings analyzed in this study showed a pattern of increasing reliance on the LEA application as a means of improving the quality of local programs. This trend has translated into a rise in the amount of nonquantitative data in applications and a concurrent increase in the size of the document. The 1978 Amendments now will require applications only every 3 years. This should help to restore a more appropriate balance between the useful aspects of the application and the critical role of on-site auditing and monitoring.

SEA Monitoring and Auditing

Persistent problems in both these functions have pertained to the frequency and scope of on-site visits. The reviewers have called on SEAs

to establish visitation schedules and to develop criteria for the reviews. The new law now specifically requires that states develop requirements, criteria, procedures, and schedules for both auditing and monitoring and submit to USOE for approval a monitoring and enforcement plan.

APPENDIX A

CLASSIFICATION OF AUDIT AND PROGRAM REVIEW FINDINGS

Classification Into Categories

In general, the classification of findings into one of the 14 categories was a very straightforward matter. The process of classification was accomplished through the use of indicators which were applied in descending order (i.e., if the first did not establish the appropriate categorization, the second was applied, and so on). Four such indicators were used:

1. HEADINGS on the documents themselves.
2. LEGAL CITATIONS provided in the discussion of the findings.
3. KEYWORDS used to describe the exception taken to some practice or expenditure.
4. CONCEPTS used in discussion of the finding.

We found that the USOE program reviews contained headings to the findings which generally corresponded to our categories (see Table A comparison). Since these headings are uniformly used in the Program Review letters, classifying these findings was nearly always accomplished by applying the first indicator.

HEW Audits do not have the same consistency of format as do USOE Program Reviews. Consequently, the headings were not always enough to make the categorization. Exhibit 1 is a Table of Contents from one HEW Audit (the numbering of findings is added to facilitate discussion of the Exhibit). Findings numbered 1, 2, 3, 5, 7, and 8 all correspond directly to the categories used in this study. Since classification occurred as we were reading through the documents and segregating the findings, the reader was able to verify the classification using the other indicators and make any necessary adjustments.

Table A

COMPARISON OF OE PROGRAM REVIEW AREAS AND
CATEGORIES USED IN THE STUDY

<u>OE Program Review Areas</u>	<u>Corresponding Categories of the Study</u>
<u>1975 Revision</u>	
State Administration:	
Staffing and Organization	Staffing and Administration
Financial Management	Fiscal Management
Application Review and Approval	Application Review and Approval
Comparability	Comparability
Parent Involvement	Parent Involvement
Performance Objectives	Program Design--Performance Objectives
Evaluation	Program Design--Evaluation
Dissemination* and Public Information	No comparable category
Complaints*	No comparable category
Non-Public Schools	Participation of private school children
Target Area Selection	Attendance Area Eligibility and Targeting
Program Operations†	No comparable category
Needs Assessment	Program Design--Needs Assessments
Performance Objectives	Program Design--Needs Assessments
Evaluation	Program Design--Evaluation
Parent Involvement	Parent Involvement
Non-Public Schools	Participation of private school children
Comparability	Comparability
Fiscal Management	Fiscal Management
Dissemination and Public Information*	No comparable category
Programs for Institutionalized Children	(area not analyzed)
Other (specify)	

* These areas were not analyzed owing to the near absence of findings of substance and the nature of the areas' reliance on particular problems pertaining to another category.

† This heading was rarely used, and when used frequently contained sub-headings equivalent.

Exhibit 1

CONTENTS

	<u>Page</u>
INTRODUCTION	1
BACKGROUND	1
SUMMARY OF RESULTS OF AUDIT	3
STATUS OF PRIOR RECOMMENDATIONS OR OPEN FINDINGS	9
FINDINGS AND RECOMMENDATIONS	10
(1) Project Approvals	10
(2) Monitoring	26
(3) Evaluations	37
(4) Fund Concentration	45
(5) Fund Supplanting	55
(6) Administrative Costs	65
(7) Equipment Control	86
(8) Audits of Local Education Agencies	98
(9) Miscellaneous Local Expenditures	104
SCOPE OF AUDIT	121

Source: Audit of Arizona ACN09-10003

Finding number 6 appears from the heading to pertain to the fiscal management category. Going to the finding itself revealed a legal citation to the regulation dealing with proper use of administrative funds and fiscal control; thus verifying the apparent categorization. The reader then looked for the appropriate key words and watched the development of the concepts while proceeding through the segregation of findings.

Finding number 4 does not give sufficient information to determine the appropriate category to be used. This is because concentration was created in different categories depending on the particular subject matter. The body of the finding in this audit referred to the "size, scope, and quality" clause of the Act itself which again does not provide sufficient information. However, in the discussion of the finding the key word "general aid" is used and the concepts developed are those pertaining to the provision of general aid by serving all children in the district. Thus the key word method gave a good indication of the proper category, and the concepts developed verified this categorization.

The finding numbered 9 provides no clue to the proper category. However, within the miscellaneous heading a number of findings could be categorized using one of the indicators. One finding, for example, cites the no-supplanting regulation and uses the key word "supplanting."

Subclassification of Findings

The result of the classification process described above was a set of tables which listed the specific findings within each category by state and by time period. Maintaining the identification of the state in which each finding was made, we grouped identical findings and those which could be subsumed under a general descriptor. For example, if State A and State B received a finding of failure to concentrate resources on a limited number of schools, this finding was listed with the two-states' names following.

From the collapsed table produced, the subcategories which are presented in the text were developed. Findings of a similar type were grouped together. Those which could not be reasonably placed in one of the

resulting groups were placed in an "other" grouping and deleted from presentation in the text tables. Table B is a sample of the tables produced for each category through this process. The left-hand column contains the subcategories eventually presented in the report. The remaining columns are the findings as grouped according to the procedure described in the preceding paragraph.

Nonduplicated counts of states cited were then made for use in the analysis of changes and for presentation in the text table. (For example, see Table 3, p. 21 of the report.)

Developing appropriate subcategories was the most difficult part of the classification process. To do this, we began with the requirements of the law and regulations as a guide to the essentials of the category, and worked back from the detailed findings. Presentation of this data in a form capable of both quick reference and the elucidation of broad trends in the program required resolving the trade-off between brevity (favoring the ability to move through a sizable mass of documents in a fairly brief space), and detail (favoring the richness and tone of the actual findings which aids in understanding of particular ones). Since this trade-off was generally resolved in favor of brevity, the reader will not be able to achieve a detailed knowledge of what the Federal reviewers have to say about a particular category, but should be able to ascertain the nature of findings made and any broad trends of movement in the category. Some of the richness is replaced in the textual discussion of the category.

Validation of Classification Decisions

The classification was accomplished by two professional staffers in the EPRC. Each person prepared about one half of the classifications to categories, and subclassifications. The other person then reviewed the work of the first and raised any objections she or he had to a particular decision. When these objections arose, the reported findings were reviewed to clear up any ambiguities in the descriptions. In nearly all cases, the staff came to agreement on these objections. Where

Table B
RELATED ELIGIBILITY AND TARGETING PROBLEM AREAS OVER TIME*

	1965-1969	1970-1973	1974-1976
I. Services in Ineligible Attendance Areas	- Services to schools in attendance areas not meeting eligibility criteria (9 states)	- Services to schools in attendance areas not meeting eligibility criteria (4 states)	- Services to schools in attendance areas not meeting eligibility criteria (4 states)
II. Ranking and Concentration	- Failure to concentrate on limited number of eligible attendance areas (3 states) - Improper use of no wide variances exception (1 state)	- Improper identification of attendance areas; identification and selection not per procedures (7 states) - Improper skipping of eligible attendance areas; failure to concentrate (3 states)	- Improper identification of attendance areas (5 states) - Improper skipping of eligible attendance areas; failure to concentrate (4 states) - Improper use of no wide variances exception (2 states)
III. Data	- No review and update of data used to make eligibility determinations (3 states)	+ SEA assisting LEAs in collection and use of low income data (2 states) - Lack of necessary data; use of subjective data to make determinations (6 states) - Failure to update data used (1 state)	- Use of outdated, inaccurate or inconsistent data (7 states) - Use of improper or subjective data (5 states) - Failure to weight various data sources used (3 states)
IV. Procedures	- No or inadequate documentation to support eligibility and targeting decisions (2 states)	+ Revision of procedures for eligibility and targeting (1 state) + Improved SEA review of procedures (1 state) - No uniform criteria or procedures for selection (4 states)	+ Improvement in procedures generally (1 state) + SEA providing technical assistance on targeting procedures (1 state) - No uniform procedures for making determinations (1 state)

*State names deleted

Table B
RELATED ELIGIBILITY AND TARGETING PROBLEM AREAS OVER TIME

	1965-1969	1970-1973	1974-1976
IV. Procedures (Cont.)		- Inadequate documentation of selection process (2 states) - No SEA verification of data used by LEAs for selection (2 states)	- No or inadequate documentation of selection process (4 states) - No SEA verification of data used (1 state)
V. Other		- Failure to include information on children enrolled in private schools (2 states) - Failure to calculate low income concentrations in all attendance areas (1 state) - LEAs improperly following-the-child (1 state) - Problems arising from large number of small school districts (1 state)	- Failure to include information on children enrolled in private schools (3 states)
States Cited	N = 11 - NO FINDINGS (9 states)	N = 18 - NO FINDINGS (2 states)	N = 18 - NO FINDINGS (2 states)

agreement could not be reached on a particular placement, the findings were placed in both groupings if appropriate, or removed to the "other" category. Cases requiring removal of the finding to the "other" category were, however, quite rare.

Analysis Across Categories

In Chapter VII, we draw together the findings from each of the 15 categories to reach several overall findings and conclusions. As part of this analysis, we wanted to derive some method for looking at the magnitude of problems across time periods. However, as emphasized in Chapter II and throughout the report, it is not valid to compare the numbers across categories. Therefore we developed an analysis method analogous to that used for the specific categories which established magnitude rankings among categories within each time period. This enabled us to compare the rankings (not the numbers) across categories and time periods, which in turn contributed to the development of overall conclusions.

To derive rankings across categories we used the total number of states with findings for each category and time period. These were arrayed as shown in Table C. For each time period, we used natural break points of the numbers to denote the groups as involving a "high, medium, or low" number of states with findings during that time period. This produced a ranking value for each category and each time period.* The ranking value has validity as an indicator of the "importance" of that category relative to the others in that time period. In addition, the ranking values are sufficiently comparable to enable us to follow the relative importance of a single category over time. This is the procedure which produced the information in Table 21 (p. 98) and the analysis reported in the final chapter.

*One difficulty with this was the larger sample used in the analysis of comparability: 23 states rather than 20 (see p. 113). In order to include this category, we derived a value based on an adjusted number by multiplying the actual number of states with findings (17 and 21 respectively for the last two time periods) by 20/23. The adjusted numbers were then added to the table after the break points had been established. Since these adjusted numbers fit within the established limits, we believed their inclusion in the analysis was warranted.

Table C
CATEGORY RANKING VALUES BY TIME PERIOD

1965-1969

Total Number of States with Findings for Each Category

Low-"C"				Medium-"B"						High-"A"			
1	1	1	2	10	10	11	11	11	13	15	16	18	19

1970-1973

Total Number of States with Findings for Each Category

Low-"C"	Medium-"B"						High-"A"								
3	14	14.8*	15	15	15		17	18	18	18	19	19	20	20	20

1974-1976

Total Number of States with Findings for Each Category

Low-"C"		Medium-"B"							High-"A"					
3	7	11	12	13	15	16	16	16	18	18.3*	19	20	20	20

*The values marked with an asterisk are adjusted numbers of states with findings for the comparability category. The adjustments were made to compensate for the larger sample size involved in the analysis of that category.

While this analysis method is in no way intended to be rigorous, it does provide some clue to the relative magnitude of problems in the categories and across time periods, and is a useful adjunct to the within category analyses presented in chapters III through VI.